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## Bulletin, 1924-25

American Institute of Accountants

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# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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MAY 15, 1924

SERIES B, No. 1

### ANNOUNCEMENT

Pursuant to the general policy of the American Institute of Accountants to increase its service to members, it has been decided that the bulletin shall be expanded and that it shall contain not only a brief summary of activities, which it has always contained, but also a more adequate exposition of the various activities of the Institute and its committees. In addition it is to include news which will be of general interest to the profession—for example, any new accounting law or a law bearing upon the practice of accountancy, or a court decision of interest to the profession, or news of a chapter of the Institute, a state society or other organization of accountants whose operations are favorably regarded by the Institute.

This issue of the bulletin begins a new series which will conform to the principle of a more extended presentment of accounting news. It is not intended in any way to interfere with the scope of *The Journal of Accountancy*. *The Journal* is a high-class technical magazine, and the more or less intimate professional matters which may properly appear in a bulletin would be somewhat out of place in *The Journal*. In other words the bulletin is to supplement *The Journal* and not to compete with it.

The only way in which a news magazine or a bulletin can be kept up to date and made sufficiently comprehensive is by the active cooperation of all members and associates of the Institute. Each member and associate is therefore asked to accept a share of the burden of keeping this office advised of developments and prospects in the accounting field suitable for publication in the bulletin.

All chapters of the Institute have been notified of the change in the form of bulletin, and at least one member in each state has been requested and has agreed to assume responsibility for transmitting information from time to time.

Another advantage of a larger bulletin will be the possibility of transferring from *The Journal* to the bulletin matters which more properly belong in the latter. For example, changes in firm, changes in address, etc., are chiefly of interest to members of the profession and therefore are most fittingly published in the bulletin, leaving *The Journal* free to maintain its status as a magazine of the kind which in continental Europe is described as a review. The field of *The Journal* is the discussion of the large questions of accountancy. The field of the bulletin is detail and personality.

At the outset this larger form of bulletin is primarily intended, of course, for members of the Institute, but it is believed that there will be a considerable demand for copies by those who are not at present affiliated with the Institute. In order to meet this expected demand it has been arranged that while the bulletin shall be issued gratis to members and associates of the Institute it shall also be available at a nominal price of 15 cents a copy to the general public.

The bulletin will appear about the middle of the month and it is intended that it shall be issued every month with the possible exception of one or two months in the summer time.

The number of pages in each bulletin will depend upon the amount of news calling for publication. This first issue consists of 16 pages, and it is safe to assume that the

average number of pages will be from 12 to 16. In some cases it may be necessary to publish an even larger issue.

It will be noted that the page size of the bulletin is identical with that of *The Journal of Accountancy*. This will make for uniformity when the two publications are bound. The new form of bulletin is not punched for temporary binding as it is believed that members will prefer to retain it intact and at the end of one year or two years bind the issues as magazines are bound.

Persons not members of the Institute who desire to subscribe to the bulletin may do so at a cost of \$1.00 per annum.

Members and associates are cordially invited to express their approval or adverse comment upon the new form of bulletin and are earnestly requested to see that the news which should appear is supplied to the office of the Institute.

A. P. RICHARDSON, *Secretary*.

## ANNUAL MEETING

It has been decided that the annual meeting of the American Institute of Accountants will be held at St. Louis, Missouri. The personnel of the committee on meetings is David L. Grey, *chairman*, Frederic A. Smith and Victor H. Stempf, all of Missouri. The chairman of the committee draws attention to the fact that this is the

twentieth anniversary of the first congress of accountants held in the United States. Special effort is to be made to assure the attendance of all the surviving accountants who were present at the 1904 meeting. The dates of the annual meeting are September 16th and 17th. The council meetings will be held on the 15th and 18th.

## THOMAS CULLEN ROBERTS

Thomas Cullen Roberts, member of the American Institute of Accountants, died at Hoboken, New Jersey, on April 5, 1924. To everyone familiar with the history of accountancy in this country Mr. Roberts' name was almost a household word. He was one of the participants in the activities of the early days of the profession and his work for accountancy is well known. He was for some years secretary of the American Association of Public Accountants, the predecessor of the Institute. He was a certified public accountant under the laws of New Jersey and New York.

## CASSIUS M. WILLIAMS

The death of Cassius M. Williams, member of the American Institute of Accountants, is announced from Palo Alto, California. Mr. Williams was formerly a member of the council of the Institute and was an important factor in the growth of accountancy in the Northwest.

## COMMITTEE ACTIVITIES

### Committee on Coöperation with Bankers

H. E. Whitney, chairman of the committee on coöperation with public accountants of the Robert Morris Associates, and William B. Campbell, chairman of the committee of the American Institute of Accountants on coöperation with bankers, have been in communication in regard to certain accounting questions upon which the opinion of the Institute's committee was desired. The following questions are asked by the bankers and answered by the Institute's committee:

ANSWERS TO QUERIES RAISED BY THE  
ROBERT MORRIS ASSOCIATES  
COMMITTEE

1. Q.—What distinction, if any, exists between current assets, quick assets, work-

ing assets, and liquid assets, which titles are variously used from time to time? Is this merely a looseness owing to the lack of a uniform title, or when an accountant uses one or another of these titles is it his intention to make a definite distinction of some kind?

A.—The terms "current assets," "quick assets" and "liquid assets" are generally used as almost interchangeable terms, although, strictly, they do not have exactly the same meaning. Current assets have been defined as cash, receivables from outsiders, and inventories of stock in trade, which in the regular course of business will be readily and quickly realized, together with such additional assets as *may* readily be converted into cash without impairing a business or enterprise (e. g., marketable securities other than those held for pur-

poses of control, notes or accounts receivable from officers, stockholders or employees). "Quick assets" is most commonly used in banking circles and includes those current assets which consist of cash or which can and will be quickly converted into cash, e. g., inventories and accounts and notes receivable. The balance-sheet included in the *Federal Reserve Bulletin* makes just this distinction between current and quick assets. A sub-total of quick assets is made including inventories, accounts and notes receivable, and cash, and to this sub-total are then added marketable securities which can be sold without impairing the business, and notes and accounts due from officers, stockholders and employees, the resulting total being described as "total current assets."

The meaning of "liquid" assets in practice is the same as "quick" assets. Regardless of the foregoing distinction, the terms "quick" and "liquid" assets are often somewhat loosely applied to the total of the assets described above as current assets.

"Working assets" is a term adopted as descriptive of assets intermediate in character between capital and current assets; specifically, assets which are consumed by an enterprise in the activities carried on without themselves forming an integral part of the product, e. g., supplies used in operations. In practice it is usual in the case of a manufacturing concern to include the working assets, such as supplies, under the general caption of "current assets."

In trust deeds and certificates of incorporation, "current assets" and "quick assets" are used as alternative terms, and such items as supplies, and also prepaid insurance, etc., are usually specifically included in the general definition of "current assets" or "quick assets." In trust deeds the term "liquid assets" is used much less frequently than the other two terms.

2. Q.—A financial statement certified to by one of the large accounting firms lists the quick assets under the caption "net current assets." What is the significance of the word "net"?

A.—"Net current assets" is the excess of the total current assets over the total current liabilities, the word "net" signifying that the current liabilities have been deducted from the current assets. In the balance-sheet the current liabilities should never be deducted from the current assets.

It is assumed that the financial statement referred to was not a balance-sheet.

3. Q.—Is it an acceptable accounting practice to certify to a financial statement without having verified with the banks the cash balances and obligations outstanding? (One of our members received a certified balance-sheet and the following day received a letter from the accountants asking for a verification of the balances and the amount held under discount.)

A.—It is not good accounting practice to certify to a financial statement without having verified with the banks the cash balances and obligations outstanding.

The *Federal Reserve Bulletin* states that "certificates *must* be obtained, as of the evening of the closing date, from the banks in which cash is deposited, by or mailed directly to, the auditor himself." "Statements *must* be obtained from all banks and brokers with whom the concern does business, showing all notes and drafts discounted or sold by them for the benefit of the concern."

4. Q.—Is it sufficient to verify only with the banks that, according to the records, hold obligations at the date of the statement, or should a verification be made with all banks (and commercial-paper brokers as well, if their services have been availed of) where obligations may have been held at any time, say during the previous twelve months or such other time limit as you may set?

A.—It is usually considered necessary to communicate only with the banks shown by the records to hold the obligations of the company at the date of which the verification is to be made. In the verification of notes payable to banks, the *best* practice is for the auditor to communicate with *all* the banks or brokers with whom the concern has done business some time prior to the date of the balance-sheet; in the case of an annual audit, for a full year. Frequently, however, only the banks holding obligations as at the close of the year are written to; the justification for this practice being that it is manifestly impossible to cover by correspondence all the banks from which a concern *might* have borrowed money.

In connection with the verification of notes payable, the auditor should see all notes which have been paid during the period under audit to ascertain that they



have been cancelled, and, further, he should examine the interest-paid account, which might disclose the payment of interest on any obligations not shown on the books.

5. Q.—Is an accountant obligated to mention any assets that are hypothecated (with the exception of mortgaged real estate and plant), and any liabilities that are specifically secured? In answering this question consideration should be given to the possibility of a mortgage covering other than plant (should he comment on this?), or to a collateral trust note issue, collateralized with securities owned by the corporation. (The *Federal Reserve Bulletin* article comments on the necessity of noting any assets that have been hypothecated as collateral for loans, but we would like to have a specific ruling upon the subject in its broader aspect as noted in the question.)

A.—In the balance-sheet of a concern where any of the assets are hypothecated, notice thereof should be given on the balance-sheet. In cases where any of the current assets are pledged or hypothecated, it is customary to make a very specific reference to the items either in the description of the asset items or in the description of the liability item in respect of which the assets are hypothecated.

In the case of mortgage bonds or collateral trust notes, it is not customary to give in the balance-sheet full particulars of the property which is pledged as security for those liabilities. The fact that a mortgage exists or collateral trust notes are outstanding puts on notice any person extending credit to the company. In the case of mortgage bonds, while it is true that they are usually secured specifically only upon fixed assets, deficiency judgments can be obtained which give them a claim upon the remaining assets of the borrowing company.

6. Q.—Is an accountant obligated to mention any unpaid accumulative dividends? In answering this question please have in mind as possibly affecting your decision the different provisions that sometimes exist in connection with a preferred stock issue, to the effect that unpaid dividends for a specified time entitle the preferred stockholders to equal voting power with the common stockholders, etc.

A.—In the accounts of a company where there are unpaid cumulative dividends, this fact should be noted on the balance-sheet

prepared for the information of stockholders. As a general rule, the only interested parties are the holders of the stock in respect of which the dividends are in arrears and the holders of securities junior to that issue. In the case of a balance-sheet which is issued only for the specific purpose of obtaining credit, the omission of the reference to arrears of dividends may be permissible, but in the annual report of a company such arrears should be noted on the face of the balance-sheet.

7. Q.—Where there is a liability of taxes, is the accountant obligated to set this up or else comment on it in his certificate? If he sets it up is it sufficient to bulk the amount in with a general item of reserves, where there is no comment as to what this item refers? If it is not set up as a reserve but rather referred to in the certificate, is it sufficient merely to state that no reserve has been set up for federal taxes, or should there be an additional comment as to the estimated amount of these taxes?

A.—Where there is a known liability for taxes, this liability should be set up in the accounts of a company or the accountant's certificate should be qualified. If it is taken up in the accounts of a company, it should be included in the current liabilities but no objection can be taken to the grouping of the item with other liabilities, although it is usual in cases where the item is included with other liabilities to indicate in the phraseology that it has been taken up. It is quite conceivable that a company from perfectly proper motives might not wish to disclose the amount of its profits, and if the item of federal income tax were shown separately, the amount of the profits could probably be deduced from the amount of the liability.

If the amount is not taken up in the accounts as a liability, the fact should be referred to in the certificate of the accountant. Only in very unusual circumstances would the tax liability be omitted from the books of a company where it could be definitely determined, but if the accountant has shown that such liability has been omitted from the books, he cannot insist upon the amount being disclosed. However, the mere fact that the accountant's certificate states that no provision has been made in respect of federal taxes puts on notice all parties who are interested in the financial statement

of the company and they are then in a position to make any inquiry they desire of the company.

8. Q.—May it be taken for granted in accepting a certified statement that the accountant has inquired as to the examination of the books by the internal revenue department, and has ascertained that there is no apparent liability for back taxes, or otherwise that such liability would be commented upon?

A.—The last question should be answered in the affirmative, that is, where an accountant has certified a statement it can be taken for granted that he has made full inquiry into the tax situation of his client, and if there is any liability for back taxes or a probability, in the accountant's opinion, of additional taxes as a result of an examination by the internal revenue department, a provision should either be taken up in the accounts or the omission should be noted in the accountant's certificate.

Even in cases where no examination has been made by the internal revenue department and the accountant is of the opinion that a liability exists for additional federal taxes, which liability is not provided for in the accounts, his certificate should contain a qualifying clause. On the other hand it is quite possible that the government might have claimed a liability for additional taxes which the accountant might know to be erroneous, in which case he would be justified in assuming the responsibility for omitting any reference to the government's position.

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### **Committee on Public Affairs**

A summary of the first three months' activity of the committee on public affairs was presented to the council by the chairman, Homer S. Pace, on April 14th, in the form of a report. After describing the organization of the committee, the report outlined the various steps taken to lay out the programme to be undertaken.

A survey of the work that has been done by members and associates of the Institute in the way of public service, including addressing public gatherings, writing articles and serving in various civic and quasi-public organizations was undertaken, and the members and associates were asked to report to the committee the work of this

kind that they performed during 1922 and 1923.

Topics of current public interest such as tax revision, commercial arbitration, public and private budgeting and the crime wave that is running among office employees were chosen by the committee for study, with the idea of encouraging their discussion both by addresses and articles. The committee plans also to further the discussion and consideration of special matters such as the appointment of accountants as receivers and trustees, and technical matters of accounting such as would be of interest to particular groups or trade organizations.

Requests to supply speakers have been received by the committee from a number of organizations, and though this particular branch of its work was begun only recently, the committee reported having booked speakers for six meetings, including two addresses by radio, one in Kansas City and one in Philadelphia. The report listed the meetings for which speakers were supplied.

A list of 156 organizations in which members and associates of the Institute hold membership has been compiled. There is also in the files of the committee an extended list of clubs, societies and other organizations before which members and associates of the Institute have spoken. Likewise, there is a list of publications for which members and associates of the Institute have written articles. The committee believes that there is an extensive field for its operations which will be developed slowly during the coming months.

Members and associates have made many suggestions to the committee as to possible activities in which it may engage. One member suggested that the bureau could prepare the salient facts on any given topic to be used as a basis for public addresses to be made by accountants throughout the country. This member pointed out that some national associations are even preparing speeches for their volunteer speakers, but it has not been deemed advisable by the committee of public affairs to go this far. Another suggestion is that the bureau provide periodical releases to smaller newspapers on subjects in which accountants are interested.

From several sources the suggestion has come that the principal groups to be reached by the committee on public affairs with information as to the activities of account-

ants are bankers, credit men, financial houses and attorneys. It is planned to devote especial attention to reaching organizations of these professions and businesses. One of the early steps planned is to provide members and associates with blanks on which reports may be made of their speaking and writing activities and public service in which they may be engaged. For the present, members and associates are asked to report by letter such activities.

The replies received at the time of preparing the report were 109, coming from 50 cities in 29 states, and from Cuba, Mexico and Canada. Sixty-five of the members who replied reported that they have made public addresses in the past two years, speaking before 208 organizations, and delivering in all 544 addresses. There were included 142 topics on which these addresses were made. Seventy-nine of the men replying have expressed a willingness to make public addresses at the request of the committee on public affairs, and the committee expects to draft many more. Fifty-six of the men who replied have made a practice of writing articles for publication. They submitted the names of 85 publications in which their articles have appeared, and the total number of articles listed was 317.

The report of the committee contained a brief description of the nature of public service performed by the members and associates. In brief, it includes such work as serving on committees of chambers of commerce, Rotary, Kiwanis and other clubs; preparing reports on civic matters for those bodies; studying proposed reforms in bankruptcy and other matters; attending international gatherings of business men; formulating accounting systems for coöperative associations; serving on state boards of accountancy; devising accounting methods for various industries; testifying before legislative committees; choos-

ing text-books for public schools; promoting legislation on accounting and other business subjects; coöperating with credit men's associations; advocating ballot reform; standardizing routine of state government; improving state methods of taxation.

The first letter-bulletin issued by the committee on public affairs dealt with the subject of commercial arbitration. The second will be on the subject of the crime wave within the office, by which is meant the increased number of embezzlements and defalcations during the past three years.

### **Committee on Federal Legislation**

The committee on federal legislation is watching with care the development of the income-tax legislation in the United States senate. One amendment which was suggested by a senator would unintentionally have had an almost prohibitive effect upon accounting practice. This, however, was brought to the attention of the senator by Judge Covington, counsel for the Institute, and also by the committee on federal legislation, with the result that the phraseology has been changed so that when the amendment is introduced it will not involve any danger to the practice of accountancy. Other matters such as the amendment enacted by the senate relative to making tax returns public documents have been considered by the committee on federal legislation. It has seemed to the committee and to the counsel of the Institute that this being a matter not within the scope of accountancy it would be unwise for the Institute to make protest against the amendment, however undesirable it may appear to be. It is felt that the Institute should confine itself to criticism and constructive suggestion in regard to those provisions of taxation legislation which deal with questions of administration and not of principle.

## **BOARD OF EXAMINERS OF THE INSTITUTE**

### **May Examinations**

The May examinations of the Institute are being held on the 15th and 16th days of the month. Applicants for admission to the Institute are being examined and in addition the following states coöperating with the Institute have candidates at this examination: Alabama, Arkansas, California, Colorado, Delaware, Florida, Idaho, Illinois,

Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont and Washington.

The other coöperating states and territory have indicated that there will be no candidates this month.

### Circular of Information

The attention of members is drawn to the fact that a new edition of the circular of information containing a syllabus and bibliography, etc., has been prepared. There are one or two textual changes, but the substance is the same as in the earlier edition. The great demand for this pamphlet has made it necessary to have several printings.

### Examination Question Book

The new publication by the board of examiners containing the examination questions from June, 1917, to May, 1924, will be off the press in the near future. The board does not publish the official answers. The cost of the volume will be \$2.00 post-paid in the United States. The usual reduction of 33⅓% will be made to schools

and colleges when ordering in lots of 10 or more.

### Election of Members

No protest having been received regarding the applicants whose names were printed in confidential bulletin No. 89, the president of the Institute has declared them elected as of May 8, 1924.

The Harvard university graduate school of business administration plans to offer next year a full year's course given over entirely to the professional aspects of public accountancy. Courses in auditing and other allied subjects have been given for a number of years, but this will be the first course offered which will have as its sole purpose the training of men for public accounting.

## REGIONAL MEETINGS

### Pittsburgh

Following is the programme for the regional meeting to be held at the William Penn Hotel, Pittsburgh, May 17th:

- 10:00 A.M.—Business session.
- 11:00 A.M.—Address: *The Public and the Institute*, A. P. Richardson.
- 11:30 A.M.—Address: *Education of Professional Accountants*, George S. Olive.
- 12:30 P.M.—Recess for luncheon.
- 2:00 P.M.—Address *University Education for Accountants*, Louis K. Manley. University of Pittsburgh.
- 3:00 P.M.—Address: *The Constructive Viewpoint of the Accounting Profession*, J. Pryse Goodwin.
- 4:00 P.M.—Address: *Professional Accountancy Education within the Public Accountants Organization*, J. Hugh Jackson.
- 6:30 P.M.—Banquet.

#### SPEAKERS

Toastmaster, James Francis Burke.  
*The Banker-Public Servant*, A. C. Robinson.  
*Income-tax Administration*, William S. Moorhead.  
*Educational Methods in the Steel Industry*, A. E. Crockett.

### Midwest Region

Following is the programme of the midwest regional meeting to be held at Omaha May 23rd and 24th. The chairman of the committee on arrangements has asked that a special appeal be made to all members resident in the midwest district to attend if possible. Omaha in the latter part of May is said to be at its best.

FRIDAY, MAY 23D:

- 9:30 A.M.—Registration, mezzanine floor, Hotel Fontenelle.

- 10:00 A.M.—Address of welcome, Mayor James C. Dahlman of Omaha. Response, A. P. Richardson, Secretary, American Institute of Accountants.
- 10:30 A.M.—Subject, *Balance-sheet Audit*. Paper by L. B. Smith of Dallas, Texas. Round table discussion.
- 12:15 P.M.—Luncheon, Hotel Fontenelle. The visiting accountants will be the guests of the Omaha accountants.
- 2:00 P.M. — Subject, *Relationship Between Banker and Accountant*. W. W. Head, President, American Bankers' Association. *Relationship Between Lawyer and Accountant*, J. A. C. Kennedy. Round table discussion led by John M. Gilchrist, Omaha.
- 3:15 P.M.—Subject, *Standardization of Department-Store Accounting, Retail Inventory and Other Phases of the Standardized System Adopted by the National Controllers' Congress*. Use of comparative data, statistics, etc. Paper by representative of National Controllers' Congress. Round table discussion.
- 6:00 P.M.—Dinner (informal). H. M. Temple, St. Paul, toastmaster. Speakers: J. L. Kennedy, President U. S. Trust Company, Omaha; A. P. Richardson, Secretary American Institute of Accountants; J. J. Drakeford, Department of Internal Revenue, Omaha. Entertainment features.

#### SATURDAY, MAY 24TH:

- 9:30 A.M.—Subject, *Operating Control Through Scientific Analysis of Analytical Ratios in Actual Practice in the Flour Industry*. Paper by W. H. Justin, Treasurer, Omaha Flour Mills.
- 10:30 A.M.—Subject, *The Revenue Act of 1924 As It Pertains to Exchanges and Reorganization and the Recognition of Earned Income*. Paper by Arnold R. Baar of Knix Miller & Baar, Chicago. Round table discussion.

11:45 A.M.—Business session.

12:30 P.M.—Recreation activities: Automobile rides, golf, theatre, radio.

### **Southeastern Region**

A Delaware state society meeting was held April 25, 1924, to make arrangements for the regional meeting to be held in Wilmington, Delaware, on June 25th and 26th. Two sessions will be held: one in the afternoon of the 25th, the other in the morning of the 26th. Entertainment will be provided for those arriving early Wednesday morning and again on Thursday afternoon

for those who wish to motor or play golf. It will be possible for those wishing to attend the Providence meeting the next day to get away on Thursday at noon or shortly thereafter.

### **New England Region**

The meeting of the New England region will be held at Providence, Rhode Island, June 27th and 28th. Full information may be obtained from Chester R. Union, Hospital Trust building, Providence, Rhode Island. The programme will be printed in the next issue of the bulletin.

## **LEGISLATION**

### **Maryland**

Following is the text of the new certified public accountant law of Maryland. Attention is particularly drawn to the restrictive clauses of the law and to paragraph 9 of the law which deals with the question of privileged communications:

Article 75-A of the Annotated Code of Maryland, title "Public Accountant" (as amended by Chapter 585 of the Acts of the General Assembly of Maryland of 1924):

1. Any citizen of the United States, or person who has duly declared his intention of becoming such citizen, residing or having a place for the regular transaction of business in the state of Maryland, being over the age of 21 years, and of good moral character, and who shall have received from the governor of the state of Maryland a certificate of his qualification to practice as a certified public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and shall be entitled to use the abbreviation "C.P.A.," and a firm or partnership may practice as certified public accountants under any individual or firm name and may use the abbreviation "C.P.A." if each of the members thereof is the holder of a certified public accountant certificate heretofore or hereafter issued by the governor of Maryland, or if any member thereof is the holder of a certified public accountant certificate heretofore issued by the governor of Maryland and is actually engaged in the public practice of accounting in this state on January 1, 1924, under the individual or firm name so used or to be used, and an individual may practice as a certified public accountant under a firm name and may use the abbreviation "C.P.A." if he is the holder of a certified public accountant certificate heretofore issued by the governor of Maryland and is actually engaged in the public practice of accounting in this state on January 1, 1924, under the firm name so used or to be used, and no other person, firm or corporation shall assume the title of certified public accountant or use the abbreviation "C.P.A." or any other words, letters or figures to indicate that the person so using the same is

a certified public accountant, or use such title or the abbreviation thereof followed by the name or abbreviation of any state of the United States, or the District of Columbia, or any territory or dependency of the United States, or any foreign country or nation by or under the authority of which such person may have directly or indirectly obtained the right to use the title of certified public accountant or the abbreviation "C. P. A." in such state, district, territory, dependency, country or nation, or use such title or abbreviation thereof followed by any other initials, words or names whatsoever. Provided that nothing in this act shall prohibit any certified public accountant or public accountant, or firm of certified public accountants or firm of public accountants, certified or registered, or hereafter certified or registered under this act, from employing public accountants or certified public accountants of any other state of the United States, or the District of Columbia or any territory or dependency of the United States, or any foreign country or nation, nor shall anything in this act prohibit any such certified public accountant or public accountant, or firm of certified public accountants or firm of public accountants, certified or registered, under this act, or hereafter certified or registered under this act, from holding out to the public the names of such employees with the letters "C. P. A." following the same, provided there shall also follow such letters the name or the generally recognized abbreviation of the name of the state, district, territory, dependency, country or nation from which such certified public accountant received his certificate.

SECTION 2. The governor shall, within sixty days after the enactment of this article, appoint a board of five examiners for the examination of persons applying for certificates thereunder, who shall hold office until their successors are appointed and qualify, three of said examiners shall be certified public accountants, to be selected by the governor from resident certified public accountants of this state, one of which said three examiners shall hold office for the term of one year, one for the term of two years, and one for the term of three years, and upon the expiration of the term of each examiner, and

of each succeeding term, an examiner shall be appointed by the governor for the term of three years, selected by the governor from resident certified public accountants of this state. The other two members of said board of examiners shall consist of one attorney-at-law (who is not also a certified public accountant), residing, practicing, and in good standing in the courts of the state of Maryland, and the other an economist, a resident of the state of Maryland, appointed from a list of three names submitted by the president of the Johns Hopkins University of Baltimore city, each of whom shall hold office for the term of two years, and upon the expiration of each of said terms, and each succeeding term, their successors shall be appointed for a like term, such successors to be practicing attorneys and economists as hereinbefore provided; and in event of a vacancy occurring in said board, the governor shall in like manner appoint such qualified person or persons to fill out the unexpired term or terms created by such vacancy or vacancies. The governor may remove any member of the board for a sufficient cause, provided written notice containing charges and specifications shall have been given to said member and after he has had a reasonable opportunity for a hearing thereon.

3. Examinations of persons applying under this article for certificates as certified public accountants as to their proficiency in the theory of accounts, practical accounting, auditing, commercial law, and principles of economics, shall be held at least once every year, and be conducted according to such rules and regulations as the said board of examiners may adopt for the purpose. The questions propounded at said examination shall be submitted to the entire board before being adopted, and shall be certified by the said board as a reasonable and fair test of the candidate's qualifications, and as reasonably susceptible of answer or solution in the time allowed. Each subject shall be marked separately, and every applicant shall be required to obtain a mark of seventy-five (75) per cent. in each subject upon which he is examined. The examination papers shall be preserved for ninety days after each applicant shall have been informed of his marks, and every person taking said examination shall be entitled to notice of his mark in each subject and shall have access to his examination papers during said time upon application to the board. If any such applicant is a member of the bar of the state of Maryland in good standing at the time of taking the certified public accountant examinations, he shall be absolved from the requirements of an examination in the subject of commercial law. If any applicant shall have failed to pass the examination in all of the five subjects aforesaid, but shall have met the requirements of this article in any three or more of the subjects, he shall be excused from subsequent examinations in those subjects. All persons who shall pass the examinations in all of the subjects aforesaid shall be recommended by the board to the governor, and to all such persons the governor shall issue the certificate mentioned in the first section of this article.

4. The Board of Examiners shall charge for examination and issuance of certificate as certi-

fied public accountant, such fee not to exceed twenty-five dollars (\$25.00) as may be necessary to meet the actual expenses of such examination and the issuance of such certificate, except that for the first examination for certified public accountant of any registrant under section 7 of this article, the Board of Examiners shall charge a fee of ten dollars (\$10.00), and the Board of Examiners shall charge for registration and issuance of certificate as public accountant, such fee, not to exceed twenty-five dollars (\$25.00) as may be necessary to meet the actual expenses of such registration and the issuance of such certificates. The governor may revoke any certificate issued under the provisions of this article or any previously existing law, for sufficient cause; provided written notice containing charges and specifications shall have been given to the holder of such certificate and after he has had a reasonable opportunity for a hearing thereon.

5. No applicant for examination under this article shall be qualified for the same unless such applicant shall submit to the board of examiners satisfactory evidence of possessing a high school education, or its equivalent, and shall have graduated from a school of accountancy having at least a two years' course, or have had practical experience in public accounting for at least two years, except that any registrant in accordance with the provisions of section 7 of this article shall be permitted to take said examination provided such registrant shall have had at least five years' continuous experience in public accounting or auditing, as defined in section 7 of this article, at least one year of which must have been after June 1, 1924. This section shall not apply to any examination held under this law of any person who, prior to January 1, 1916, shall have applied for permission and shall have been permitted to take an examination under the law then existing, nor of any person who was a graduate of or enrolled as a student prior to January, 1916, of any school of accountancy, provided that said person shall have registered with the Board of Examiners on or before July 1, 1916.

6. Any citizen of the United States or person who has duly declared his intention of becoming such citizen, over the age of 21 years, who holds a valid and unrevoked certificate as a certified public accountant, or the equivalent thereof, issued by or under the authority of any state of the United States, or the District of Columbia, or any territory of the United States, or by or under the authority of a foreign nation, showing that the holder thereof has complied with the laws of such state, district, territory, or nation, who intends to establish an office and to practice the profession of accountancy in the State of Maryland, shall present such certificate or its equivalent to the Board of Examiners of public accountants of this state, accompanied by a written application in form to be prescribed by the said board, with such information as said board may require as to the character and qualification of such applicant, and shall pay the said board the fee usually charged for examination, and if the said board shall be satisfied that the standing of said applicant and the requirements for a certificate as a certified public accountant of the state, district, territory, or nation issuing

the same are substantially equivalent to those established by the laws of this state, the said board may, in its discretion, register said certificate in a book to be provided by the said board for said purposes, and shall recommend to the governor the issuance to such applicant of a special certificate of registration designating the state, district, territory, or nation issuing the original certificate to said applicant, which special certificate of registration, when issued by the governor, shall entitle the holder to practice as a certified public accountant, and use the abbreviation "C. P. A." in this state; provided, however, that no such special certificate shall be issued unless the state, district, territory, or nation issuing the original certificate extends similar privileges to the certified public accountants of the State of Maryland.

7. Any citizen of the United States, or person who has duly declared his intention of becoming such citizen, over the age of 21 years, and of good, moral character, who on January 1, 1924, shall have a place for the regular transaction of business in the state of Maryland as a practitioner of public accounting or auditing, and whose time during the regular business hours of the day is wholly or partly devoted to such practice, or who shall be a member of a firm or partnership or officer of a corporation so practising, shall be entitled to register with the state Board of Examiners of public accountants on or before January 1, 1925, and each person who shall so register shall receive from the state Board of Examiners a certificate of permission to practice as a public accountant, and shall be styled and known as a public accountant, but shall not be entitled to use any other words, letters or designation descriptive of such title, and no other person, firm or corporation shall assume the title of public accountant, or any abbreviation thereof whatsoever, or any other words, letters or figures to indicate that the person so using the same is a public accountant, except that a firm or partnership engaged in practice in this state on January 1, 1924, may register as a firm and may practice as public accountants under any individual or firm name; and, from time to time in the event of the death or retirement of a member or members, the remaining member or members, either alone or in combination with any person or persons holding certificates as certified public accountant or as public accountant issued under the provisions of this article, may continue to practice and to use such registered firm or partnership name, and in determining who were practitioners of public accounting or auditing on January 1, 1924, the state board of examiners of public accountants shall include any citizen of the United States or person who has duly declared his intention of becoming such citizen, over the age of 21 years, of good moral character, and who has been employed by a practising certified public accountant or practising public accountant for two years immediately preceding January 1, 1924, in a position of not less than a grade of accountant-in-charge, or who, being also a resident of the state of Maryland, shall have been employed by the Bureau of Internal Revenue of the Treasury Department of the United States government in a position of not less than that of

internal revenue agent or inspector, or in a similar position involving exclusively accounting work, for two years immediately preceding January 1, 1924, or who on January 1, 1924, shall have been employed by the state of Maryland as auditor, accountant and/or insurance examiner in charge of accounting work, or who for two years immediately preceding such date has continuously served or been engaged in more than one of these capacities, including practice as an individual or as a member of a firm or partnership engaged in practice as a public accountant.

8. No person shall hereafter be permitted to practice or hold himself out to the public as an accountant or auditor either by using or subscribing his own name or the name of any other person or firm, unless and until he shall have received from the governor of Maryland a certificate as certified public accountant, or unless and until he shall have received from the state board of examiners of public accountants a certificate as public accountant, and no corporation shall hereafter be permitted to practice or hold itself out to the public as an accountant or auditor; provided, however, that nothing in this article shall be construed as altering, abridging or in any way affecting the rights or powers heretofore granted any corporation by special act of the legislature of this state.

9. Nothing contained in this article shall be construed to prevent any person from serving as an accountant or auditor in the employ or under the supervision of any certified public accountant of this state or in the employ or under the supervision of any public accountant of this state who has been certified or registered, respectively, under the provisions of this article, and nothing contained in this article shall be construed to prevent any accountant of any other state of the United States or the District of Columbia, or any territory or dependency of the United States, or any foreign country or nation from accepting employment as an accountant in any case which may involve the work of such accountant anywhere within this state, provided that this section shall not be construed as permitting such accountant to establish an office for the practice of public accounting or auditing in this state without first complying with the other requirements of this act.

10. Nothing contained in this article shall be construed as applying to or in any way regulating the practice as tax advisors of persons, firms or corporations so holding themselves out to the public.

11. Except by express permission of the person employing him, or of the heirs, personal representatives or successors of such person, a certified public accountant, or public accountant, or person employed by a certified public accountant or public accountant shall not be required to, and shall not voluntarily, disclose or divulge the contents of any communication made to him by any person employing him to examine, audit or report on any books, records or accounts, nor divulge any information derived from such books, records or accounts, in rendering professional service. Provided that nothing in this section shall be taken or construed as modifying, changing or affecting the criminal laws of this state or the bankruptcy laws.

12. Any person who shall violate any of the provisions of this article shall be deemed guilty of a misdemeanor, and upon conviction thereof in any court having criminal jurisdiction shall be fined not less than fifty dollars nor more than two hundred dollars, or be confined not more than six months in the county jail, or if a conviction takes place in Baltimore city, in the Baltimore city jail, in the discretion of the court; and the board of examiners may enlist the services of the attorney-general of the state of Maryland, or his assistants in any matters pertaining to the enforcement of this article.

13. Nothing in this article shall be taken or construed to in any way invalidate or otherwise affect any certificate as certified public accountant held by any person issued under the authority of any previously existing law of the state of Maryland, and which certificate shall be in force and effect on June 1, 1924.

### Indiana

The accountants of Indiana are taking up the matter of a new certified public accountant law in that state. They are anxious to have a law which will not conflict with the accountancy laws in other states. They expect to be assisted by the model bill of the American Institute of Accountants.

### New York

The McGinnies bill providing for the regulation of the accounting profession of New York was published in *The Journal of Accountancy* for May.

The governor of New York vetoed the bill. In his memorandum on the subject, Governor Smith wrote:

As the law now stands, persons other than certified public accountants are permitted to follow the business of public accountancy. While the bill, on its face, appears to be liberal to the men following the business of public accountancy, but who are not certified public accountants, by permitting them to come in under the law by the 1st of January, 1925, provided they have had three years' experience in the practice of accountancy, it nevertheless sets up accountancy in its entirety as a profession from which young men and women in the future will be excluded unless they either qualify in a regents' examination or submit evidence satisfactory to the accountancy board of their possession of academic and professional qualifications for the practice of public accountancy.

A great many business houses, under a misap-

prehension undoubtedly, have written to me about the protection which they believe should be accorded to business in the retaining of accountants. No law is required, that I am able to see, to give such protection. The letters "C.P.A." after a man's name today indicate that he has met the standards fixed by the state, but certainly there are other accountants who have met these standards but who do not seek to be certified public accountants.

I am opposed to the whole question of narrowing the profession in our state to men who can submit to some board or commission academic qualifications. At the hearing of this particular bill I took occasion to say that, aside from the practice of medicine and dentistry, we were too exacting in requirements in many of the professions. The people are entitled to the very limit of protection in the case of doctors. The study of medicine is a science. There is, however, no occasion for the stringent rules and regulations now in force for the admission to the bar.

By this bill we are setting up another profession and closing the door to a great many competent men and women who could follow the calling of accountancy. All of these things start in a liberal way, but after they get started there is always a move on foot to tighten them up so that the profession may be narrowed down to the few.

The present law gives us ample protection by setting up a professional class of accountants, but leaves the field open for other people, probably equally competent, but not admitted to the profession.

### Texas

A. C. Upleger of Waco, Texas, has been coöperating with the legislative committee of the Wholesale Credit Men's Association of Texas, in an effort to secure favorable accountancy legislation. The first law for which accountants will strive in that state is an enactment which will make it a felony knowingly to publish a false report.

A correspondent in Texas writes as follows:

"I feel that we are all looking forward to the day when we can have some uniformity throughout the United States as to certified public accountants' certificates. This is the work that the Institute has been doing for several years and, to my mind, the most attractive feature is the use of the American Institute coöperative examination questions by the various boards."

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Arkansas

The case of *Snow vs. Wood*, supreme court of Arkansas, March 24, 1924, involves merchandise accounts. Three rules of law are established:

Evidence held to establish that one furnishing supplies to another over a period of several years had given due credit for cotton received by him in payment.

The debtor at the time of making a pay-



ment has the primary right to direct its application to particular items of the account, failing in which the creditor may make such application, or, in the event that both failed, the law applies the payment to the oldest items of the account.

The rule that the law applies payments to the earlier items of an account will not be enforced, when contrary to the intention of the parties.

### **California**

A decision handed down by the district court of appeal, first district, division 2, California, on appeal from the superior court, city and county of San Francisco, on January 8, 1924, is of interest to a great many accountants, especially those having automobile companies as clients. The gist of the decision is as follows:

"Exclusive automobile agency contract, providing that each party should make up and keep 'prospect' cards and that the respective salesman of the parties who first filed with his employer a 'prospect' should be permitted to complete the sale and should be entitled to receive his commission on the sale, held not applicable to sales made to prospects secured prior to execution of contract, where final execution of the contracts alone remained to complete the sale, especially in view of such construction of the contract by the parties themselves.

"Where action is upon an open, mutual and current account and is based upon an account which plaintiff stated to defendant, plaintiff cannot question the correctness of a credit which it allowed in the statement of account."

### **New York**

The case of *Second National Bank of Oswego v. Kean et al*, tried in the supreme

court, special term, Oswego county, New York, is of interest to the accounting profession. The substance of the decision is brought out in the following:

1. An answer, in an action for accounting against a stockbroker, which did not deny the allegations of the complaint that brokers had acted as agents for plaintiff in the purchase and sale of securities, except that it denied that any sum was due, held not to tender any issue as to whether plaintiff was entitled to an accounting, since it is not necessary that any sum be due to entitle plaintiff to an accounting.

2. Where the relation between plaintiff and defendant is fiduciary in character, plaintiff is entitled to an accounting.

3. In an action for an accounting, the first question to be determined is whether plaintiff is entitled to an accounting, and, if he is, an interlocutory judgment should give that relief, and all questions relating to items of the account should be litigated in the accounting proceeding.

### **Washington**

It has been reported that the director of licenses, the officer of Washington having charge of granting C. P. A. certificates in that state, recently brought a criminal suit in one of the local justice courts in Seattle against a person practising in that city as a certified public accountant. It is understood that the case was decided on April 28, 1924, against the defendant on the ground that no one can practise as a certified public accountant in Washington until he has been licensed to practise as such. The case has been appealed.

## **INSTITUTE CHAPTERS**

### **Illinois**

Following are the officers of the Illinois chapter of the American Institute of Accountancy: W. M. LeClear, president, 708 Marquette Building, Chicago; G. E. Frazer, vice-president, 208 South LaSalle street, Chicago; J. Angus Steven, secretary-treasurer, 7 South Dearborn street, Chicago.

### **Kansas City**

The Kansas City chapter of the Missouri Society, the membership of which

is now substantially the same as the membership of the Kansas City chapter of the Institute, meets every Monday for luncheon on the 14th floor of the Commerce building. These meetings have proved to be valuable in making the accountants of Kansas City better acquainted with one another and in providing frank discussions of practical questions and differences arising between members. Bankers are invited to attend these meetings, and several usually do attend. All visiting accountants who

happen to be in Kansas City on Mondays are cordially invited to meet with this chapter at luncheon.

Several months ago the Kansas City chapter adopted substantially the rules of conduct of the American Institute of Accountants. The rule as to advertising is even stricter than the Institute's rule, as no cards in newspapers or magazines are permitted. Several weeks ago a committee was appointed to outline a campaign of publicity among bankers as to the advantages of certified statements and at the same time informing them of the rules binding each member and inviting bankers to take up with the proper committee of the chapter any complaints they may have against members.

#### **Massachusetts**

Following are the officers of the Massachusetts chapter of the American Institute of Accountants: Hollis H. Sawyer, president; Frederick Bond Cherrington, secretary; Arthur T. Chase, treasurer; Stanley G. H. Fitch, J. Edward Masters, directors.

#### **Minnesota**

Following is a list of officers of the Minnesota chapter of the American Institute of Accountants: Julius J. Anderson, president; John E. MacGregor, vice-

president; Arch F. Wagner, secretary and treasurer.

#### **Northern Ohio**

The officers of the Northern Ohio chapter are as follows: A. E. Chandler, Akron, president; Walter F. Vieh, Cleveland, vice-president; Lewis Wintermute, Cleveland, secretary-treasurer; Harold Worthington, Cleveland, director; Homer L. Dalton, Toledo, director.

#### **Pittsburgh**

The officers of the Pittsburgh chapter of the American Institute of Accountants are as follows: Ernest Crowther, president; E. C. Gause, vice-president; J. O. MacLean, secretary; O. G. Richter, treasurer. Following are the directors: L. P. Collins, G. R. Keast, C. C. Sheppard, W. S. Sutton and John Watt.

#### **Texas**

The Texas chapter of the American Institute of Accountants announces the present officers: J. E. Hutchinson, Sr., Dallas, president; George A. Armistead, Houston, vice-president; J. R. Nelson, Dallas, secretary-treasurer. These and H. V. Robertson, Amarillo, and George M. Hofford, Dallas, compose the directorate.

### **NEWS OF STATE BOARDS OF ACCOUNTANCY**

#### **California**

The State board of accountancy in California announces that the following Los Angeles candidates have been granted certificates to practise as certified public accountants as the result of the examination held in November, 1923: H. J. Rausch, Bruce Boggs, B. K. Gold, A. P. McGuigan, E. S. Alexy, C. R. While, E. Mansfield, J. A. Galloway, G. W. Wilde, L. J. McFarland, C. Mackie, D. MacTavish, B. H. DeVos, C. D. Opp, W. G. Graves, J. W. Hartung.

#### **Iowa**

C. B. Tompkins, Des Moines, has succeeded A. H. Hammarstrom, of Clinton, Iowa, as a member of the board of accountancy in that state.

#### **Montana**

The state board of examiners in accountancy of Montana will not hold an examination in May, 1924. The next examinations will be held in November, 1924. Only one session for examinations is required to be held annually by the state board of examiners.

#### **South Carolina**

The governor of South Carolina has made two appointments to the state board of examiners of South Carolina since he has been in office and both appointments were made on the recommendation of the South Carolina Society of Certified Public Accountants.

### **Texas**

The state board of public accountancy of Texas will meet in Houston on May 15th and 16th, for the purpose of examining candidates. This board conducts its examinations in cooperation with the American Institute of Accountants. It is expected that the class of candidates will number about thirty. One hundred and fifty-two account-

ants have been licensed to practise by the state board up to the present time.

It is also planned that the Texas State Society of Certified Public Accountants will meet in Houston on Saturday, May 17th, for a semi-annual meeting. This society formed the habit some years ago of having its meetings at the place and time of the meeting of the examining board.

## **NEWS OF LOCAL SOCIETIES**

### **Connecticut Society of C. P. A.'s**

The annual meeting of the Connecticut Society of Certified Public Accountants was held at the Hofbrau, New Haven, Wednesday, April 9, 1924. The following officers were elected for the ensuing year: president, Leon E. Vannais, Hartford; vice-president, Maurice L. Blanchard, Hartford; secretary, S. Earle Shook, Bridgeport; treasurer, Frederick W. Child, Greenwich; auditor, Guy Cambria, Middletown. The following were elected to the board of governors for a term of three years: Percy Rothwell, Hartford; Milon M. Stone, New Haven; George E. Curtis, Norwalk. A special committee on legislation was appointed consisting of Maurice L. Blanchard, Charles F. Coates, Homer A. Dunn, William M. Lybrand, Irville A. May, Lewis Sagal and Herbert F. Seward.

### **Society of Public Accountants of Iowa**

The Society of Public Accountants of Iowa, of which C. B. Tompkins is president, will meet for its regular May meeting at Omaha, Nebraska, some time between the sessions of the regional meeting in that city on May 23rd and 24th.

### **Massachusetts Society of C. P. A.'s**

The Massachusetts Society of Certified Public Accountants held a meeting at the Hotel Somerset, Boston, on Wednesday, April 23rd. The dinner was followed by a few brief speeches. The guest of honor was the secretary of the American Institute of Accountants.

### **Montana State Society of C. P. A.'s**

The Montana State Society of Certified Public Accountants will meet June 20th and 21st at Billings, Montana.

### **Society of C. P. A.'s of New Jersey**

At the annual meeting of the Society of Certified Public Accountants of the State of New Jersey 18 fellows (certified public accountants of New Jersey) and 8 associates (accountants resident or practising in New Jersey) were elected to membership. This is the largest number of members admitted at one time in the history of the society. The following officers were elected: James F. Welch, president; Maurice E. Peloubet, vice-president; Theodore A. Crane, secretary-treasurer.

### **New York State Society of C. P. A.'s**

The New York State Society of Certified Public Accountants, at a meeting held at the Yale Club, New York, Wednesday, April 16, 1924, entertained officers of the American Institute of Accountants. After the dinner an appreciation of the late Mr. Sells was read. Edward E. Gore, president of the American Institute of Accountants, then addressed the meeting, describing the activities of the Institute. There was an unusually large attendance of members of the society.

At the annual meeting of the New York State Society of Certified Public Accountants, held May 12, 1924, the following officers were elected for the coming year: president, Homer S. Pace; first vice-president, Joseph J. Klein; second vice-president, P. W. R. Glover; secretary, James F. Farrell; treasurer, Willis S. Whittlesey; directors for two years: Harry Aitkin, William H. Bell, David Berdon, Harold Dudley Greeley, John F. D. Rohrbach, Harold A. Wythes.

### **North Carolina Association of C. P. A.'s**

The semi-annual meeting of the North Carolina Association of Certified Public Ac-

countants was held at the O. Henry Hotel, Greensboro, on April 26th. Accountants from Charlotte, Greensboro, Raleigh, Wilmington, Gastonia and Rocky Mount attended the meeting. D. D. Carroll, dean of the University of North Carolina, made the principal address.

### **Pennsylvania Institute of C. P. A.'s**

The Pennsylvania Institute of Certified Public Accountants has elected the following officers and directors for the coming year: John R. Lynn, president; Henry C. Magee, vice-president; Robert J. Bennett, secretary; William R. Main, treasurer. Directors: Horace P. Griffith, Joseph M. Pugh, Charles S. Rockey, George Wilkinson, William J. Wilson.

### **Accountants' Society, Spokane**

The Accountants' Society in Spokane, Washington, is compiling a mailing list consisting of the names of lawyers, bankers, jobbers, wholesalers, retailers, manufacturers, mines, etc., with the expectation of mailing out a society bulletin. The object of the bulletin will be purely educational and it is hoped that it may deal with those subjects which the Institute is stressing, such as the appointment of public accountants as receivers and trustees.

### **Virginia Society of Public Accountants**

The Virginia Society of Public Accountants is issuing a magazine entitled *The Accounting and Business Quarterly*, which is now in its third number. Copies may be obtained from the society, Box 305, Richmond, Virginia.

### **Wisconsin Society of C. P. A.'s**

The Wisconsin Society of Certified Public Accountants has issued a pamphlet entitled *Message to the Bankers of Wisconsin*.

The booklet describes services which accountants can perform for the benefit of the banking profession at large. It also calls attention to the fact that Wisconsin certified public accountants are accredited as such under state law, and extracts from the law are quoted. Finally, two lists are given, one of public accounting firms of Wisconsin with which Wisconsin certified public accountants are associated as partners or principals; the other giving a list of Wisconsin certified public accountants corrected to March 5, 1924.

### **Toronto Cost Accountants**

The Toronto chapter of the Canadian Society of Cost Accountants, at its annual meeting at the Scottish Club, in Toronto, on April 22, 1924, elected the following officers of the society: chairman, H. T. Jamieson; vice-chairman, Noel M. Bassin; treasurer, M. J. Smith; secretary, R. S. Smith. Committee members: John Clarke, J. S. Jardine, W. J. Saunders, Charles Shaw, Oliver Stewart.

### **China**

We have learned that an effort is now being made to organize a society of public accountants in China.

### **Philippine Islands**

W. W. Larkin, a member of the Institute, has been busy in the Philippines trying to organize an association of certified public accountants similar to the state societies in the United States. He called a meeting which was held on March 17, 1924, at which thirty-five accountants were present. Each man had been furnished with a copy of a proposed constitution and by-laws and was asked to make suggestions or recommendations with reference to the proposed organization.

## **ON THE ROSTRUM**

E. W. McCullough, manager of the department of manufacture, Chamber of Commerce of the United States of America, Mills building, Washington, D. C., writes referring to the representation of the American Institute of Accountants at a uniform cost accounting conference held March 25th and 26th in New York. He states that there are still available a few copies of the report

of the conference. Those who wish to obtain copies should communicate with Mr. McCullough.

Albert R. Erskine, president of the Studebaker Corporation, delivered an address before the Illinois Manufacturers' Association on April 29th on *The Importance of Accounting to Management*.

Edward Fraser of Kansas City, Mo., delivered an address Friday evening, April 11th, by radio, from station WHB, Kansas City, on the Mellon tax-revision plan.

Walter F. Vieh of Cleveland, Ohio, recently addressed the Cleveland chapter of the National Association of Cost Accountants on *Pre-determined Costs*. Mr. Vieh has made a special study of the subject of budgeting.

Joel Hunter of Atlanta, Ga., has written for the students of the American School of Commerce at Atlanta an article on *What is success in life?*

Horace P. Griffith of Philadelphia, at the request of the committee on public affairs, spoke from radio station WFI on April 15th on the Mellon tax-revision plan. He described his experience as one of great interest to him.

Joseph J. Klein, New York, delivered two addresses on the Mellon tax-revision plan: one before the New York community council and another before the Staten Island Rotary club, on April 1st and 8th respectively.

Jarvis W. Mason, New York, addressed a joint meeting of the Metropolitan Lions' clubs in New York on the 10th of April. His subject was the Mellon tax plan.

C. R. Whitworth addressed the convention of the Bankers' Association at Buffalo, New York, on the *Responsibilities of Public Auditors*.

W. R. Basset, New York, will address the convention of the National Electric Light Association this month.

F. H. Hurdman, New York, addressed the Advertising Men's Post of the American Legion on April 23rd on *What an accountant thinks of advertising*. On April 28th Mr. Hurdman spoke to the Roger Aschem School at Scarsdale, New York, on *What it means to be an accountant*.

Blyth, Witter & Co., Portland, Oregon, have issued in pamphlet form the Oregon state income-tax act, as amended in 1923.

The secretary of the Illinois Manufacturers' Association, at 231 La Salle street, Chi-

cago, has a few extra copies of committee reports issued by the Illinois Manufacturers' Cost Association which he would be glad to dispose of at 25 cents apiece to interested persons.

G. W. Schwartz & Co. announce the removal of their offices to 160 North La Salle street, Chicago, Illinois. The daughter of G. W. Schwartz has just been admitted to the firm.

Paul W. Pinkerton, C. P. A., formerly of Indianapolis, has withdrawn from the firm of Coffield, Saunders & Co., and has opened offices at 208 South LaSalle street, Chicago. Mr. Pinkerton has undertaken delivery of a course of lectures to bond salesmen on the subject of the relation of inheritance taxes to investments.

Price, Waterhouse & Co. announce the removal of their Chicago offices to the Illinois Merchants Bank building, 231 South LaSalle street, Chicago.

The accounting instructors of Emory University, Oglethorpe University, Georgia School of Technology and the University of Georgia at Athens have formed a society for their mutual benefit and assistance.

Oglethorpe university has conferred on Joel Hunter of Atlanta, Georgia, the honorary degree of doctor of commercial science.

Charles F. Rittenhouse & Co., Boston, Massachusetts, announce that Herbert E. Tucker has been admitted to partnership.

William Henry Dennis announces the removal of his office to 2145 Equitable building, 120 Broadway, New York.

George Zinberg announces the removal of his office to 1270 Broadway, New York.

Reeve, Bickwit & Co. announce the removal of their offices to 270 Madison avenue, New York.

Loomis, Suffern & Fernald announce the removal of their offices to 50 Broad street, New York.

# BULLETIN

OF THE

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SERIES B, No. 2

### REGIONAL MEETINGS

#### New England

On Friday and Saturday, June 27th and 28th, the sixth regional meeting of New England members of the American Institute of Accountants and others interested in accountancy will be held at Providence, Rhode Island. The meeting will be held under the auspices of the Rhode Island Society of Certified Public Accountants, and as several of the accounting societies and staffs of members are planning to combine their outings with this meeting it is expected that there will be a large attendance.

An invitation is extended to all accountants to bring their wives and friends, and special arrangements have been made for the entertainment of the ladies and guests.

In place of the usual reading of previously prepared papers, it is planned to have general discussions of subjects which those who are to attend desire to have taken up at the meeting. This plan will make the subjects and discussions of particular interest if all will co-operate and submit the subjects at once so that the committee may have sufficient time to arrange the programme.

Those who expect to attend should notify Chester R. Union, regional secretary, 438 Hospital Trust building, Providence, Rhode Island, informing him how many first-day and second-day tickets are desired and whether or not hotel accommodations are desired at the Providence Biltmore hotel.

The general committee consists of: Frederick Bond Cherrington, Boston, chairman; Chester R. Union, Providence, secretary; Charles F. Coates, Hartford; J. Edward

Masters, Boston; Percy D. Mitchell, Portland; Alfred P. Ward, Providence.

The following programme has been arranged:

FRIDAY, JUNE 27TH, AT PROVIDENCE  
BILTMORE HOTEL:

10:00 A.M.—Registration.

10:30 A.M.—Morning session.

Address, Joseph H. Grainer, Mayor of Providence.

Address, A. P. Richardson, secretary, American Institute of Accountants.

Address, David E. Moerer, chairman.

Controllers Congress of National Retail Dry Goods Association.

General discussion of subjects previously submitted.

12:30 P.M.—Luncheon.

2:00 P.M.—Afternoon session.

Address, Edward E. Gore, president, American Institute of Accountants.

Address, Ira Lloyd Letts, attorney, Providence.

Continuation of general discussion of subjects submitted.

Evening—Arrangements may be made for dancing at Rhodes on the Pawtuxet, theatres, bowling, etc.

SATURDAY, JUNE 28TH:

Rhode Island Country Club early morning golf and tennis.

10:30 A.M.—Bowling, billiards, etc.

11:30 A.M.—Buffet lunch.

12:30 P.M.—Baseball game: Rhode Island v. Massachusetts.

2:00 P.M.—Rhode Island clam bake and shore dinner, with music, dancing, entertainment, etc.

Note: Daylight saving time is given above.

#### Omaha

The midwest regional meeting of the American Institute of Accountants at Omaha May 24th and 25th was held at the Hotel Fontenelle under the chairmanship of Henry Moeller of Omaha. After an

address of welcome by the mayor of the city, papers were read as follows:

*Balance-sheet Audit*, L. B. Smith; *Relationship Between Banker and Accountant*, W. W. Head; *Relationship Between Lawyer and Accountant*, J. A. C. Kennedy; *Standardization of Department-Store Accounting, Retail Inventory and Other Phases of the Standardized System Adopted by the National Controllers' Congress*; *Operating Control Through Scientific Analysis of Analytical Ratios in Actual Practice in the Flour Industry*, W. H. Justin; *The Revenue Act of 1924 As It Pertains to Exchanges and Reorganization and the Recognition of Earned Income*, Arnold R. Baar. All papers were followed by general discussion. At the dinner held in the evening of May 24th the speakers were Herbert M. Temple, J. L. Kennedy and J. J. Drakeford.

It was resolved that in view of the fact that the annual meeting of the Institute would be held in St. Louis there should be no autumn meeting of the region, but that the next meeting should be held in May, 1925. After consideration of invitations received it was resolved that this meeting should take place at Dallas, Texas. The following regional advisory committeemen in the various states in the district were elected: H. W. Hennegin, Arkansas; Richard M. Crane, Colorado; Frederick B. Andrews, Illinois; Charles B. Tompkins, Iowa; J. D. M. Crockett, Kansas; L. C. Barnett, Kentucky; A. F. Wagner, Minnesota; Frederick A. Smith, Missouri; W. B. Finlay, Montana; Henry C. Moeller, Nebraska; John A. Cull, North Dakota; H. C. Cornell, Oklahoma; F. O. Pollard, South Dakota; Loyd B. Smith, Texas; J. G. Stelle, Wisconsin; L. G. Kelly, Utah.

### **Pittsburgh**

A regional meeting of the members of the Institute practising in the district comprising Indiana, Ohio, West Virginia, western New York and western Pennsylvania was held at Pittsburgh, May 17th. There was an attendance of approximately 250 at the banquet and during the business sessions the attendance was from 100 to 150. The meeting was opened by the chairman, Ernest Crowther. The first business was the selection of the place of the next regional meeting and upon receipt of

invitation from the Ohio delegation it was resolved that the next meeting should be held in Toledo in the month of November at a date to be fixed.

Papers were read as follows:

*Education of Professional Accountants*, George S. Olive; *University Education for Accountants*, Louis K. Manley; *The Constructive Viewpoint of the Accounting Profession*, J. Pryse Goodwin; *Professional Accountancy Education within the Public Accountant's Organization*, J. Hugh Jackson; *The Public and the Institute*, A. P. Richardson.

At the banquet in the evening the toastmaster was James Francis Burke and addresses were delivered by A. C. Robinson on *The Banker—Public Servant*; by William S. Moorhead on *Income-tax Administration*; and by A. E. Crockett on *Educational Methods in the Steel Industry*. Several of the papers will appear in early issues of *The Journal of Accountancy*. Mr. Olive's paper dealing with matters of importance chiefly to the members of the Institute is published here for general information:

### **EDUCATION OF PROFESSIONAL ACCOUNTANTS**

Since two other speakers are on the programme today to give us the benefit of their experience in university and staff educational work, I must first disclaim any right to speak on the subject other than because of the knowledge I have gained while serving on the committee on education of the Institute, and the first-hand knowledge which any practising accountant acquires as a result of the quantitative and qualitative analysis he makes of applicants for staff positions.

Those of us who acquired most of our scholastic education prior to twenty years ago will recall that there was at that time a very intensive development of technical education evident throughout the country, which followed closely the great expansion of productive capacity in the country's industries. As a result of the application of trained minds to industrial problems, the production of economic goods per man per day in America is said to have increased in a ratio of more than 30 to 1. During the last decade, with the enormous increase in the complexity of industrial problems has come a recognition of the necessity of proper business records, and, almost overnight, we find a demand created for accountants which it is very difficult to fill. As a result all kinds and grades of schools and universities throughout the country now offer courses for the training of men and women for business careers, and both the number of schools and the attendance at the schools have had a remarkable growth. It is to be hoped that this awakening to the possibilities from trained minds in business

will have an effect corresponding to the coming of educated technicians in industry. How good the effect may be depends to a considerable extent on the attitude which the trained accountants of the country take toward accountancy education. This problem has been with us for some time, but we do not seem to have recognized it.

Your committee in planning this meeting has put this question in the foreground by laying out its programme, making business education the theme running through all of it. The importance of the question generally is reflected in plans which have recently been announced by Harvard University for further endowment to the extent of \$10,000,000 of which \$5,000,000 is to be used for the needs of its business school. The booklet announcing this proposal bears the name, as chairman of the committee, of an eminent churchman, Bishop Lawrence, and carries the following statement of the nation's need:

"For lifting business to the dignity of a profession with recognized principles, more skillful methods and higher ethical standards."

Just as that university has for its object the lifting of business to the dignity of a profession, with recognized principles, more skillful methods and higher ethical standards, it should be our purpose to see that the public accounting profession is a leader in this very same work.

Just what are we as public accountants doing to further this most important work?

Individually I am sure that in our respective communities, we are constantly raising the standards of business, and are doing our part to see that it is being conducted with "recognized principles, more skillful methods and higher ethical standards."

I wish to take a few minutes of your time to tell you of the work that has been laid out for the committee on education of the Institute. The other two members of the committee for the current year are Herbert Temple of St. Paul and David Himmelblau of Chicago. I might even claim that, because of his very great interest in its work, our distinguished president, Mr. Gore, is also a member of the committee. Since Mr. Temple and Mr. Himmelblau have both had extended experience in business educational work, it has been possible readily to cooperate with the members of the American Association of University Instructors in Accounting. This organization, as you know, includes in its membership practically all the men who are actively engaged in providing college or university instruction in business courses; and in a casual review of its list of members you will recognize some of the most capable accountants in the country. These men have almost universally been laboring with very poor equipment and the quality of the work which they have done is remarkable, considering the difficulties under which they have worked. Take as an example the Harvard graduate school of business administration—it was organized in 1908 and is said to be the only school of business which has a separate faculty teaching business subjects and requires a university degree for admission to it. The pamphlet to which I have already referred carries the following statement:

"The school has not outgrown its plant—it never had one. From the very beginning it has been forced to assume the roll of an intruder

wherever a vacant room or even a vacant hour could be found in the university. Its work is scattered in no less than ten widely separated buildings. The only classrooms on which it has a first claim are two basement rooms, one of which had formerly been used as a boiler room and the other for dead storage. In spite of such handicaps the school has grown each year until it has become imperative to check artificially further growth and to limit the entering class next fall to the same number as entered in the fall of 1923."

I believe that the situation has been somewhat the same in every other college and university in which business courses have been introduced within the last ten or fifteen years. The subject generally has been treated as one intruding on the customary work of the institution and the fact that business education has grown like Topsy, without parents, is evidence of the necessity for it, and the resulting conditions in business education give us an opportunity at the present time to be of real service in helping to standardize the work which is being offered to students. Since the conduct of business organizations is continually calling for more and better trained men, it seems self-evident that the educational institutions generally must recognize the necessity of making their equipment thoroughly adequate to take care of the needs of business.

The principal work which is being done at the present time by the committee on education of the Institute is the preparation of a standard curriculum for university courses in accounting. In our discussion as to the possibility of preparing this standard curriculum, many diverse opinions have been expressed and, in doing this work, we are not at all hopeful that the result of the work of the committee will be universally received with acclaim, but we do feel that such a piece of work is essential in order that this professional body of business men may have its part in the constructive development of business education.

While on this subject I wish to bring out one matter which has been referred to repeatedly in my talks with instructors in accounting courses. I find that comparatively few of the better qualified men who are taking such courses are doing so with the definite intention of entering professional accounting work. I find also that the instructors hesitate to recommend to their best students the desirability of entering this field. Those of you with more experience than I have had will doubtless find a reason for this which I did not appreciate. It is almost entirely due to the lack of permanency in employment when the accounting student first becomes associated with a public-accounting organization. Our work in the past has been to a very large extent seasonal in character, and this fact is responsible for taking on men temporarily to work through the peak load of the year. This condition I believe can be remedied by accountants to a large extent so that the work may be spread through the year in such a way that it would not be necessary to take on men except on a permanent basis. Until we do correct this undesirable feature of our work we cannot expect our practice to attract more capable men from year to year from the better business courses.



In closing, I wish to impress on you again the statement heretofore quoted, i.e., that one of the most important needs of the nation at present is to lift business to the dignity of a profession, with recognized principles, more skillful methods and higher ethical standards, and that we as public accountants have a very definite obligation to perform in meeting this need.

### **Southeastern States**

A regional meeting of public accountants and all others interested in accountancy will be held in Hotel du Pont, Wilmington, Delaware, on June 25th and 26th.

The sessions will be on the afternoon of Wednesday, the 25th, and on the morning of Thursday, the 26th. There will be interesting speakers and instructive discussions. Entertainment will be provided for those who arrive early Wednesday morning, and an automobile trip and

golf are arranged for Thursday afternoon. Ladies are cordially invited.

Dinner Wednesday night (informal).

A full attendance of all accountants is desired to insure a successful and interesting meeting.

Advise the chairman at the earliest possible date of your intention to be present.

Those residing north of Delaware, advise Wm. H. Van Hekle, 1304 Morris Building, Philadelphia, Pa.

Those residing south of Delaware, advise Will-A. Clader, Land Title Building, Philadelphia, Pa.

Address Peter T. Wright, 301 Equitable Building, Wilmington, Delaware, for any information desired.

Make reservations for rooms direct with Hotel du Pont.

## **NATIONAL AND INTERNATIONAL MEETINGS**

### **American Institute of Accountants**

The attention of all members is once more called to the annual meeting of the American Institute of Accountants which will be held at St. Louis, Missouri, on September 16th and 17th. The council meetings will be held on the 15th and 18th of the month. Every effort is being made to induce the attendance of all the surviving accountants who were present at the St. Louis meeting in 1904. The committee on meetings consists of the following members: David L. Grey, St. Louis, chairman; Frederick A. Smith, Kansas City, and Victor H. Stempf, St. Louis. Inquiries regarding the routine matters of the meeting should be addressed to the committee or to the secretary of the Institute.

### **British Society of Incorporated Accountants**

The council of the Society of Incorporated Accountants and Auditors re-elected George Stanhope Pitt, London, and Major Gwilym Arnold Evans, Cardiff and London, to the respective offices of president and vice-president for the ensuing year.

The council also elected as honorary members Sir Malcolm Ramsay, comptroller and auditor general, exchequer and audit department, and Sir Josiah Stamp, examiner in economics and statistics to the society.

### **International Management Congress**

The Prague International Management Congress, to be held at Prague, Czechoslovakia, July 21-24, 1924, will be the first international management congress. The congress is being held under the auspices of the government of the Republic of Czechoslovakia, the Masaryk Academy (Prague), and a number of American scientific societies. This congress was inspired in the minds of leaders of the Czechoslovak people by realization that one basis of recovery from the material and moral ravages of war, and of the restoration of a prosperous and enduring peace, must be better international understanding of the principles and methods of utilization of economic resources. Every American who desires to attend will be welcomed and membership in the sponsor societies will not be necessary for participation in the congress. Americans interested are advised to correspond with the committee on American Participation, Room 611, 29 West 39th Street, New York.

One of the seven members of the joint committee of American participation, headed by Herbert C. Hoover, is Harold D. Greeley, member of the American Institute of Accountants.

### **Northwestern Border Meeting**

The fourth annual joint meeting of the Washington Society of Certified Public

Accountants and the Oregon Society of Certified Public Accountants with the Chartered Accountants of British Columbia is to take place on Saturday, June 28, 1924, in Vancouver, B. C.

The first meeting of the three societies was held in Vancouver, B. C., in 1921; the second was held at Seattle in 1922 and the third was held at Portland in 1923. These meetings have been found mutually interesting and enjoyable by those members of the three societies who have attended in the past and it is expected that there will be a large attendance this year.

### **English-speaking Accountants in Paris**

On Friday evening, May 16, 1924, the English-speaking accountants practising in Paris held a dinner at the Restaurant Weber, Rue Royale, Paris, in place of the usual quarterly luncheon.

C. G. Coates took the chair and the meeting was well attended. The secretary, Oscar Fawcett, reported that he had received apologies for absence from A. T. Davies, who would have taken the chair, W. Ernest Seatree and other members. The minutes of the last meeting were then read by the secretary and a discussion on the subject of taxation in France was opened by the chairman and Ernest d'Errico. Several other accountants took part in the discussion, after which various resolutions were proposed and passed by the meeting.

It was decided that the date of the next quarterly luncheon should be left to the committee to decide, and that the chair should be taken by a representative of Haskins & Sells who were next in turn on the alphabetical rota.

A vote of thanks to the chairman was carried unanimously. The meeting was brought to a close by a few words of acknowledgment from the chairman.

## **LEGISLATION**

### **Alaska**

Following is the text of the C. P. A. law of the territory of Alaska:

Chapter 93. AN ACT (S. B. 76) establishing a territorial board of accountancy and defining its powers and providing a penalty for the unlawful use of titles and degrees, and appropriating funds for the organization and maintenance of such board.

Be it enacted by the Legislature of the territory of Alaska:

SECTION 1. There is hereby created a territorial board of accountancy consisting of three members, not more than two of whom shall belong to the same political party. Each member shall be a person skilled in the knowledge and practice of accountancy, a citizen of the United States and a resident of the territory of Alaska, and shall have passed a satisfactory examination and received a degree in public accounting; provided, that the first three members of the board shall be examined for their qualifications in such manner as the governor may direct.

SECTION 2. Each second year the governor, with the advice and consent of the senate, shall appoint one member of the board who shall serve for a term of two years and until his successor shall have been appointed and qualified. A vacancy of the board shall be filled by the government by appointment for the unexpired term.

SECTION 3. The board shall organize by electing one of its members president, and one secretary and treasurer. The secretary and treasurer

shall give bond to the territory in such sum and with such sureties as the board shall direct, which bond shall be executed in duplicate, one for filing with the board, and the other with the territorial treasurer. The board shall keep a record of all its proceedings and shall report annually to the governor.

SECTION 4. A citizen of the United States and of the territory of Alaska, not less than twenty-five years of age, of good moral character, who shall have a diploma from a recognized high school or shall present satisfactory evidence of an equivalent education, who shall have had not less than five years' experience in the practice of accountancy, and who has received from the territorial board of accountancy a certificate of his qualifications shall be styled and known as a certified public accountant, and no other person except as hereinafter provided, shall assume such a title or use the letters "C. P. A." or other words indicating that he is a certified public accountant. Upon presentation of evidence that he is a holder of the degree of certified public accountant, such holder shall be exempted from the performance of jury duty in civil actions if he so requests. A certified public accountant shall not be subject to examination on confidential communications between his client and himself nor forced to divulge any information which he shall have acquired as a confidential communication, except at the instance of his client, and any certified public accountant who shall otherwise divulge such information shall have his certificate revoked and shall not afterwards be licensed to practise accountancy in the territory.

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SECTION 5. Examinations shall be held at times and places selected by the board. Not more than two examinations in any one calendar year shall be held. Each applicant shall be examined in writing and shall answer satisfactorily eighty per cent. of the questions asked. There shall be not less than twenty questions on the theory of accounts, not less than five problems in practical accounting, not less than twenty questions in auditing, not less than fifty questions in commercial law and a general intelligence test of not less than one hundred questions of a general nature tending to test the candidate's general experience and mental caliber, including questions in finance and current events.

SECTION 6. At the time of examination, each applicant shall pay to the board a fee of one hundred dollars, which shall not be refunded, but an applicant may be re-examined once without the payment of an additional fee, within eighteen months from the date of his first examination. All fees so collected shall be covered into the territorial treasury.

SECTION 7. For the establishment and maintenance of the board there is hereby appropriated out of any money in the territorial treasury not otherwise appropriated, the sum of five hundred dollars, the same to be disbursed as other territorial funds, but vouchers for all such disbursements must be approved by at least one member of the board.

SECTION 8. A person who shall qualify for examination and shall in addition present satisfactory evidence that he is the holder of an unrevoked certificate from another state or a foreign country may be granted a certificate by the board without formal examination and upon the payment of such fee as the board shall direct, but which shall not exceed one hundred (\$100.00) dollars.

SECTION 9. The board shall have the authority to revoke upon reasonable cause any certificate issued by it after a hearing shall have been had by the board. The holder of such certificate shall be notified of such hearing at least two months prior to the date thereof by registered mail.

SECTION 10. Where practicable and in consonance with the best interests of the territory, the governor shall, in the appointment of all accountants and auditors for the territory, give preference to those holding certificates from the board as certified public accountants.

SECTION 11. Nothing in this act shall be construed to prohibit any person from practising accountancy. Nothing in this act shall be construed to prohibit the holder of an unrevoked degree from another state or foreign nation

from describing himself as so authorized; provided, that such person shall indicate in full, not by abbreviation, and after each title or description each and every time it is used, the source thereof or authority therefor.

SECTION 12. Any person or persons who shall unlawfully make use of words or descriptions to indicate that he or they are in possession of a certificate from the board shall be deemed guilty of a misdemeanor, and shall be punishable by a fine of not more than one hundred (\$100.00) dollars or imprisonment for not more than one month, or both, at the discretion of the court.

SECTION 13. The secretary and treasurer of the board shall each year, within thirty days after January first, render to the governor of Alaska a report setting out the number of persons examined by the board during the preceding calendar year, the number who received the degree of certified public accountant from the board, the number of those examined who failed to pass such examination, the number of persons re-examined, the number of certificates revoked, and the total amounts received and disbursed by the board. With such report the secretary and treasurer of the board shall transmit, by money order, draft or other form of exchange payable to the treasurer of the territory of Alaska, all funds in possession of the board. Approved May 3, 1923.

### Georgia

A bill approved by the Georgia Society of Certified Public Accountants providing for an amendment of the C. P. A. law and for the restriction of practice in the state of Georgia is now under consideration by the committee on state legislation of the American Institute. The bill follows in general the Maryland statute which was published in Bulletin B-1.

### Louisiana

Members of the Institute in Louisiana have been instrumental in the introduction of a bill in the legislature providing for an amendment of the C. P. A. law. The amended bill follows the lines of the Institute's model law and has been officially approved by the committee on state legislation. The matter is now before the legislature awaiting action.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Georgia

A Georgia action determining who may sue for an accounting is *Bradshaw v. Estill* (121 S. E. 385).

One who has never had any interest in the subject-matter of a suit has no right to ask for an accounting therein.

### Michigan

In the case of *McCannan v. Tolfree et al*, decided in the supreme court of Michigan on April 10, 1924, the three following rulings were made:

Evidence held not to sustain finding that a bank had erroneously given a de-

positor a credit on both her savings and chequing account on a single deposit made by her.

In an action to recover a deposit in a bank which was defended on the ground that depositor had been given a double credit on a single deposit, the court erred in not permitting depositor to cross-examine the cashier as to errors made in accounts with other customers, where cashier testified that he was relying on the bank's books in giving his testimony, and the jury was asked to believe the accuracy of the bank's books, records and certain inferences drawn therefrom.

Before books of account are admissible in evidence, they must be shown to be accurate and to contain all the items of account.

### **Missouri**

*Jungkind Photo Supply Company v. Yates* (257 S. W. 820), was a Missouri case wherein defendant denied that he received goods charged against him in account. It was held that in an action on an account where defendant denied that he had received the goods for which a number of charge items appeared in the book of account offered in evidence, the account being in dispute should have been proved by proper evidence.

### **New York**

In *Langford v. Fessenden*, (203 N. Y. S. 301), plaintiff desired an accounting after stock transactions with defendant. Evidence that plaintiff had entrusted defendant with a stated amount of money, and had instructed him to buy and sell stock for plaintiff, held to show that plaintiff was entitled to an accounting.

Where the complaint merely demanded an interlocutory judgment compelling defendant to account, and the defendant was not notified that the court would state the account, the court should not attempt to save the expense of a reference by stating the account.

*Lavers v. Hutton*, (203 N. Y. S. 235) was a recent New York case for an equitable accounting. Rendition of unimpeached statements and the acknowledgment of their correctness constitutes an account stated as conclusive as a release.

After a lapse of years a broker, who

had rendered to customer detailed monthly statements, should not, without suggestion of fraud or mistake, be subjected to the expense and labor of a reference for an equitable accounting.

A proved account stated is a good defense to customer's action against brokers for an equitable accounting.

### **Pennsylvania**

A Pennsylvania trust case involving an audit was *In re. Klein's Estate*, decided in the supreme court of Pennsylvania, on March 10, 1924.

It was the duty of trustee under a will to take possession of the trust property, where he was given sole power to invest and reinvest the property, and where he took no steps to obtain the property for four years after decedent's death, nor to ascertain what had been done with it, nor to require the executor to file an account except to ask the executor to file an account when he was put off with the excuse that the estate was in litigation, and had ample notice of executor's financial condition, calling for action to protect the trust estate, held that trustee was chargeable with supine negligence in the execution of his trust, and therefore responsible for the dissipation of the trust estate by executor.

In an action to surcharge the account of a trustee with the loss caused by the defalcation of the executor of the estate on ground that the loss resulted from the trustee's failure to require executor to render an account, that executor was given discretion as to when he should sell the trust property was immaterial, where he sold it within a year after becoming executor, and no discretion was given him as to when he should turn over the proceeds.

The rule that trustee is not personally liable for the default of a reputable attorney employed to assist in executing the trust was inapplicable to trustee's liability for defalcations of executor, an attorney, whom the trustee neglected to require to account, since the relation of attorney and client did not exist between executor and trustee.

In an action to surcharge the account of a trustee with the loss occasioned by the defalcations of the executor, proof that at the time executor was appointed

he was a reputable attorney in good standing, with large income, and that through the lapse of years, the disappearance of the trust funds, the insolvency and death of the executor, the opportunity to secure the trust estate from him is gone, held to establish as a reasonable probability that timely action by trustee would have averted the loss.

Where, due to the neglect of the trustee, the persons to take after termination of trust sustained a loss by default of the executor, and this loss was therefore chargeable against trustee's account, and trustee's final account could have been filed and the trust estate, if intact, turned over to the remaindermen by January 1, 1921, held, that trustee's account should be charged with interest thereon from such date.

Where an audit was necessary because of the fault of the trustee, he, and not the estate, must bear the cost thereof.

*Ehmling v. D. L. Ward Company*, decided in the supreme court of Pennsylvania on March 3, 1924, was a case involving the admission of a company's books where the clerks who made the entries were not available as witnesses. Points decided by the decision of interest to accountants were as follows:

In assumpsit to recover half the net proceeds of a business under a contract of employment, where two clerks, who made the book entries, were not available, and plaintiff testified that the books were accurately kept under his personal supervision and inspected, from time to time, by defendant's officers, their admission was not error.

The trial judge can see and examine books of original entry, and their competency is largely a matter for his discretion.

In an action to recover half the net profits of a business under a contract of employment where the company books extended over more than two and one-half years and embraced a vast number of items, plaintiff being familiar with them could as a matter of convenience give a summary of their contents as to net profits.

In an action to recover half the net profits of a business under a contract of employment, the amount of total receipts

being admitted, whether the expenditures resulted in net profit or loss was a question of fact, and the credibility of witnesses and the books was for the jury.

Where parties voluntarily submit their accounts to the jury, in an action of assumpsit, the jury could settle the account and find the amount due, as provided in act April 4, 1831, §1 (P. L. 492; Pa. St. 1920, §§13, 14), without prior formal judgment *quod computet*.

### **West Virginia**

In *Price Hill Colliery Co. v. Pinkney*, decided in the supreme court of West Virginia, on March 25, 1924, it was held:

The rule that an account rendered and retained for a long time becomes an "account stated" is, as a general proposition, inapplicable in Virginia and in this state, except as between merchant and merchant, and principal and agent, with mutual accounts.

### **Wisconsin**

A case, involving an accounting between principal and agent as well as equity jurisdiction, *Walter Diehnelt, Inc. v. Root et al*, was decided in the supreme court of Wisconsin on April 8, 1924. Briefly, the decision covered the following three points:

To sustain an action in equity for an accounting, the complaint must allege some special and substantial ground of equity jurisdiction, as the need of a discovery, the complicated character of the accounts, or the existence of a fiduciary or trust relation; and it must appear that the remedy at law is inadequate.

It is not enough to sustain action in equity for accounting that the complaint shows defendant had been plaintiff's agent, and not showing that defendant has any knowledge not possessed by plaintiff or is called on to account for anything coming to his hands as a result of the fiduciary relation; but simply showing that defendant performed services for plaintiff for which he was paid from time to time more than the amount of commissions earned by him; and alleging nothing indicating necessity for interposition of equity to do justice between the parties, or that plaintiff has not a complete remedy at law.

A complaint for accounting and other relief against plaintiff's former agent and

the assignee of the agent's claim for commissions, alleging that the agent has been overpaid, does not present a situation where the power of equity should be exerted to

prevent a multiplicity of suits, plaintiff's cause of action being fully set forth in its counterclaim filed in the action previously begun by the assignee.

## INSTITUTE CHAPTERS

### Michigan

After adjournment of the meeting of the Michigan Association of Certified Public Accountants held in Detroit on May 15, 1924, the members of the Institute present were called together in session by Frederic A. Tilton, member of the council of the Institute. Mr. Tilton was elected temporary chairman and J. Lee Boothe was elected temporary secretary. It was stated that the object of the meeting was to consider the advisability of forming a chapter of the American Institute of Accountants in Michigan. After considerable discussion it was voted unanimously to organize the Michigan chapter of the American Institute of Accountants and that the charter be held open to permit all Michigan members of the American Institute of Accountants to become charter members of the local chapter. The meetings for the present are to be held on the same evenings as and prior to the meetings of the Michigan Association of Certified Public Accountants. The securing of signatures is now in progress.

### Minnesota

The Minnesota chapter of the American Institute of Accountants met on May 16, 1924, following the close of examinations, at the Minnesota Club in St. Paul, where a dinner was served to members of the Institute and to fifteen examinees. The meeting was addressed by Charles E. Mather, New York, George W. Dowrie, Minnesota University and H. C. J. Peisch.

The annual meeting of the chapter followed, at which the following officers and board of directors were elected for the ensuing year: A. F. Wagner, Minneapolis, president; Herman G. Brissman, St. Paul, vice-president; William C. Bechert, Minneapolis, secretary and treasurer. These, together with James S. Matteson of Duluth and Herman C. J. Peisch of Minneapolis, were elected to the board.

The chapter members who attended the Omaha regional meeting on May 23rd and 24th were J. S. Matteson, C. H. Preston, Thomas J. Shannon, Herbert M. Temple.

### Northern Ohio

Pursuant to a call issued April 17, 1924, the Northern Ohio chapter of the American Institute of Accountants met at the Cleveland Athletic Club, Cleveland, Ohio at 6:30 P. M. where dinner was served to twenty-five members. Following the dinner the president, Arthur E. Chandler, called the meeting to order. The minutes of the previous meeting were read and approved. The president announced that the membership is now forty-four out of an eligible list of fifty-two. He then called upon Mr. Worthington, chairman of the committee on arrangements, for remarks. Mr. Worthington presented the following memorandum of questions which might profitably be discussed at meetings:

1. Should an advisory bureau be established? In other words, should the chapter arrange through its directorate with its members to act as a clearing house through which the members of the chapter may speedily obtain opinions and advise on knotty problems in either practice or ethics which may be confronting them?

2. Should the chapter organize or authorize some form of associate membership on behalf of the accounting students on the staffs of the members? Presumably any such body in practice would be useful only to the Cleveland students. The principal difficulty in making a success of any such body would lie in the trouble of getting members of the chapter to prepare papers for delivery before the associate body whose meetings would presumably be held during the winter months.

3. What stand should the chapter take in state C. P. A. matters, such as the

appointment of members of the state board of accountancy, amendments to C. P. A. legislation and other legislative matters affecting accountants?

4. What steps should be taken to advise the banks in the territory of the formation of the chapter and of the personnel of its membership? This question also covers the point as to whether it would be advisable to urge the banks to use the membership list of the chapter in recommending accountants to their customers.

5. Should the chapter have a committee on ethics whose duty would be to consider all forms of publicity used by the members of the Institute in this territory and, where advisable, draw the attention of the committee on ethics of the Institute to any such publicity. In other words, would it be advisable to form such a committee with a view of relieving the individual members of embarrassment in making complaints direct to the committee of the Institute?

6. What should be the attitude of the chapter toward regional meetings of the Institute? In other words should the chapter take any steps to replace the present haphazard method of determining the time and location of future regional meetings? As and when adjacent territories form local chapters it might be well for representatives of various chapters to get together and settle these points.

It was resolved that the president should appoint an advisory committee to which any member of the chapter may submit questions of practice, ethics and conduct or before which any member may appear in person to discuss such questions. The president appointed as a committee W. J. Taylor, Harold Worthington and Walter F. Vieh.

A question was raised as to the possibility of establishing a clearing house for the employment of accountants. After a free discussion it was resolved that this question be laid on the table. The ques-

tion of organizing associate membership was laid on the table.

It was resolved that the chapter should submit to its board of directors the question of appointing a committee to confer with a committee of the Ohio Society of Certified Public Accountants, with the recommendation that if in its discretion the board of directors believes that matters on which such conferences might be held should be submitted to the American Institute of Accountants as a whole, they be so submitted before any communication be presented direct to the Ohio Society of Certified Public Accountants.

It was proposed that the secretary should prepare a letter to the bankers in the territory served by the chapter, advising them that the chapter has been organized, embodying information as to the purposes of the American Institute of Accountants, its code of ethics and the relation of the chapter to the Institute; also offering co-operation of the chapter and requesting suggestions from the bankers that might improve the services to be rendered by the accountants, advising that the secretary will furnish names of the members of the chapter upon request.

The question of creating a committee on ethics was laid on the table.

It was resolved to lay on the table the question of establishing a speakers bureau.

### **Rhode Island**

Accountants in Rhode Island have made application to the American Institute of Accountants for permission to form a Rhode Island chapter of the Institute. The application was approved by the executive committee at a meeting held June 5, 1924.

### **St. Louis**

An application for permission to form the St. Louis chapter of the American Institute of Accountants was approved by the executive committee at a meeting held June 5, 1924.

## **BOARD OF EXAMINERS OF THE INSTITUTE**

### **May Examinations**

The board of examiners at a meeting on June 9th completed its grading of papers submitted at the May examina-

tions. Preparation of results for report to the states coöperating was completed on the 14th and the results are being communicated to the proper authorities

on the date of issuance of this bulletin. The board finds that the percentage of successes in the examination was in agreement with the average in previous sessions. The great majority of failures, of course, occur in the accounting examination. The law and auditing questions are invariably more easily answered by candidates.

### **Plan of Coöperation**

The plan of coöperation which has been adopted by so many states is being revised and one or two minor changes not affecting the general principle of the plan will be submitted to state boards in the near future.

## **COMMITTEE ACTIVITIES**

### **Committee on Federal Legislation**

Prior to enactment of the federal revenue law, Frank Lowson, chairman of the committee on federal legislation was active on behalf of the Institute in bringing to the attention of the treasury department, the chairman of the senate finance committee, the commissioner of internal revenue and the 1924-revenue-bill conferees of congress the inequitable features and defects in the 1921 revenue act and the 1924 revenue bill.

### **Special Committee on Indemnity Policies**

The president of the Institute, acting under authority of the council, has appointed a special committee to investigate the policies offered by indemnity companies for protection of accountants. The committee consists of the following: R. H. Montgomery, chairman; F. H. Hurdman, Charles S. Ludlam, E. G. Shorrock and C. R. Whitworth. It is suggested that members who have adopted liability insurance in any form should send particulars to the committee.

### **Special Committee on Public Affairs**

May witnessed a rapid development of the work of the bureau of public affairs, under the direction of the committee having this activity in charge. The plans made earlier in the year began to bear fruit during the month, and the committee feels that an excellent start has been made in the carrying out of its programme, developed with considerable care since January first.

Activities during the month include issuing a special letter-bulletin on arbitration; distribution of this letter-bulletin

to chambers of commerce, together with names of local members and associates of the Institute, with suggestion they be called into conference in advancing arbitration; preparation of newspaper notices of regional meetings and of spring examinations of Institute.

The letters of commendation and approval of the things so far accomplished, received from members and associates, are encouraging to the committee. The prompt and enthusiastic response from members and associates to the efforts of the committee and the results so far attained indicate to its members that there is a well defined field for the kind of work it has in mind, and that there is a pronounced willingness on the part of members and associates to coöperate. The initial amount of work, of course, has been limited by the amount appropriated for the first year's activities.

The bureau of public affairs hopes to make itself available to the chapters of the Institute, and to those in charge of regional meetings, by assisting in securing publication of suitable notices, both in advance of and following such meetings. It performed this service for the Omaha meeting of the mid-west region, and offers its assistance to all committees.

The speakers' bureau will not be fully organized until autumn, but in a number of instances calls for speakers have been received, and almost without exception, members have been found to respond to the calls. Valuable services have thus been rendered to the public.

Replies are still being received to the initial appeal of the committee on public affairs to members and associates, to report their activities in speaking, writing and public service.



### **Special Committee on Restrictive Legislation**

In accordance with resolution adopted by the council of the Institute, the president has appointed the following mem-

bers of a special committee to consider the effect of new legislation relative to the practice of accountancy: Elmer L. Hatter, chairman; F. G. Colley, James F. Farrell, Lewis G. Fisher, William Jeffers Wilson.

## **NEWS OF STATE BOARDS OF ACCOUNTANCY**

### **Mississippi**

The following resolution has been adopted by the Mississippi state board of accountancy:

Whereas it appears that many holders of Mississippi certificates as certified public accountants reside in other states practising as certified public accountants, thereby removing themselves from the observation of the Mississippi state board of public accountancy, therefore be it resolved that it shall be the duty of such non-resident holders of certificates issued by the Mississippi state board of public accountancy to conform their conduct to the standards required in the states of their residence; that any failure to conform to any reasonable regulation or ruling made and had by the state board of public accountancy in such state of residence shall be regarded as unprofessional conduct within the meaning of the Mississippi state accountancy act.

Be it resolved further than any holder of a certificate issued under the authority of the Mississippi accountancy act who

resides in another state and is engaged in the practice of public accounting therein shall notify the board of the state in which he maintains such residence and place himself under the observation of such board. A failure so to place himself under the observation of such board shall be a defiance of such said board and shall be regarded as unprofessional conduct within the meaning of the Mississippi state accountancy act.

Be it further resolved that this resolution be given due publicity in order that the state boards of other states may be informed of the purposes of the Mississippi state board of public accountancy.

Adopted May 16, 1924.

### **Wyoming**

The governor of Wyoming has appointed C. H. Reimerth to fill the vacancy in the state board of accountancy caused by the expiration of the term of office of W. D. Batchellor. The board has elected C. H. Reimerth president, Charles B. Morgan secretary and A. P. Putnam treasurer.

## **NEWS OF LOCAL SOCIETIES**

### **District of Columbia Institute of Accountants**

Thirty-five certified public accountants with guests, gathered at the City Club, Washington, D. C., on May 20th, for the first annual dinner of the District of Columbia Institute of Accountants. The success of the new law, in effect since February, 1923, stipulating examinations for local C. P. A. men, was celebrated and plans for the future were discussed under the chairmanship of William Clabaugh, president.

Among the aims of the organization, Mr. Clabaugh said, is a regulation that securities which are placed before the public shall be accompanied by a financial

statement of the issuing company certified by a certified public accountant.

Officers of the organization are William Clabaugh, president, James A. Councilor, vice-president; Edward M. Tyler, secretary and treasurer, and W. L. Harrison and Wayne Kendrick members of the board of directors.

### **Georgia Society of C. P. A.'s**

The Georgia Society of Certified Public Accountants met on Saturday evening May 24th, at the Piedmont Hotel, Atlanta.

There were 21 fellows and 10 associates present, it being the largest attendance since the organization of the society some

eighteen months ago. At the meeting eight fellows and seven associates were elected. The society now has a membership of 46 fellows and 23 associates.

The chief subject of consideration was the report of the committee on draft of a new C. P. A. bill for Georgia. After discussion and some slight changes in the wording the proposed bill was approved by the society, and a committee was appointed to present the bill at the next session of the legislature, which convenes in June.

The officers of the society are: Alonzo Richardson, president; Joel Hunter, first vice-president; Edison Huff, second vice-president; C. F. Seeger, third vice-president; W. C. Jackson, secretary; M. F. Pixton, treasurer.

#### **Indiana Association of C. P. A.'s**

The Indiana Association of Certified Public Accountants, at its annual meeting at the Old Colony Club in Indianapolis, on May 21st, elected the following officers: George E. Morgan, Indianapolis, president; George B. Buist, Fort Wayne, vice-president; O. C. Herdrich, Indianapolis, recording secretary; George S. Olive, Indianapolis, treasurer; H. A. Roney, Indianapolis, corresponding secretary. The other members of the board of directors are: H. L. Chambers, South Bend, and D. M. Fairchild, Evansville. W. M. Madden, Indianapolis, was elected auditor.

The retiring president, Paul W. Pinkerton, reviewed the growth of the society from its beginning and read a paper on "Educational deficiencies of junior accountants."

Other papers were read by Freeman T. Eagleson, "Accountancy and the law"; Keppeler Hall, "A suggested classification of operating expenses"; R. B. Kester, "The rôle of the professional accountant"; L. F. Ratterman, "The recent C. P. A. legislation in New York"; T. H. Sanders, "The training of accountants in England."

#### **Maryland Association of C. P. A.'s**

At the last meeting of the Maryland Association of Certified Public Accountants proposed rules of ethics were submitted for consideration. Action is to be taken at the June meeting.

#### **Massachusetts Society of C. P. A.'s**

At the annual meeting of the Massachusetts Society of Certified Public Accountants held May 26th at the Parker House, Boston, the following officers were elected: Stanley G. H. Fitch, president; Frederick Bond Cherrington, vice-president; Charles F. Rittenhouse, secretary; Arthur T. Chase, treasurer. The executive committee consists of the foregoing and Elbridge A. Bollong, J. Edward Masters and C. Oliver Wellington.

#### **Michigan Association of C. P. A.'s**

Edward E. Gore, president of the American Institute of Accountants, addressed the Michigan Association of Certified Public Accountants at Detroit on May 15, 1924. The meeting was held at the Aviation Town and Country Club, under chairmanship of Thomas H. Evans, president of the society.

Mr. Gore spoke on what professional associations, and particularly the American Institute of Accountants, mean to the accountant, as well as to the public. He spoke of the debt that the public accountant owed to the Institute for its battle to raise professional standards. At the conclusion of his remarks a vote of thanks was tendered to Mr. Gore and the Institute.

D. W. Springer, F. A. Tilton and E. E. Staub also addressed the meeting on subjects of current interest.

At the conclusion of the meeting the necessary steps were taken to form a Michigan chapter of the American Institute of Accountants.

At a meeting of the Michigan Association of Certified Public Accountants, held in Detroit June 5, 1924, Hon. Guy A. Miller, Wayne County circuit judge, gave an instructive talk on the value of, and necessary qualifications for, professional testimony.

#### **Accountants' Forum of Minnesota**

At the annual dinner of the Duluth chapter of the Accountants' Forum of Minnesota, on May 9, 1924, at the chamber of commerce, the following officers were elected: Jeffrey Gruber, president; J. L. Benz, vice-president; Irving Grover, secretary; G. F. Lundgren, treasurer; C. E. Dunham, D. R. Hanford, T. J. Linnie, C. E. Spring and O. B. Thayer,

directors. Mr. Linne was the retiring president. At a meeting held June 9th Lloyd Burksett led a discussion on no-par-value stock of corporations.

### **Missouri Society of C. P. A.'s**

Members of the Kansas City chapter of the Missouri Society of Certified Public Accountants have subscribed a fund of over \$1,000 and are launching a campaign of information for bank officers in that district. Bulletin No. 1 of the chapter, issued June 1, 1924, contained a paper, *The Banker and the Accountant*, by A. E. Van Doren, vice-president of the Irving Bank-Columbia Trust Company, New York, which was presented at a meeting of the New York State Society at Columbia University on September 25, 1923.

The following are officers of the chapter: H. E. Lunsford, president; E. M. Lynn, first vice-president; P. K. Knight, second vice-president; R. S. Osborne, secretary; Miller Bailey, treasurer.

The annual meeting of the St. Louis Chapter, of the Missouri Society of Certified Public Accountants was held at the Midland Valley Country Club on Tuesday evening, May 13, 1924.

After a golf tournament in the afternoon, followed by a dinner, the meeting was called to order by the president. The treasurer submitted his report dated May 13, 1924, and it was moved that the president appoint an auditing committee to audit the report.

The election of officers to serve for the ensuing year was then held and the following were elected for the respective offices: president, David B. Peter; first vice-president, Harry L. Oppenheimer; second vice-president, John M. Neumayer; secretary, Edwin F. Herold; treasurer, W. Mayors.

Victor H. Stempf read a paper on "Capital stock and surplus." Mr. Stempf was accorded a rising vote of thanks.

### **Society of C. P. A.'s of New Jersey**

The next meeting of the Society of Certified Public Accountants of the state of New Jersey will be held on Tuesday evening, June 17, 1924, at the Washington restaurant, 559 Broad street, Newark, New Jersey. Dinner will be served at 7 o'clock.

Spencer S. Marsh, vice-president of the National Newark & Essex Banking Com-

pany and president of the New Jersey Bankers' Association, will speak on "The obligation of the C. P. A. to the banker and the financial community." Alfred F. Skinner, former judge of the Essex County court of common pleas, will speak on "Co-operation between the legal and accounting professions."

### **Ohio Society of C. P. A.'s**

More than a score of Daytonians attended the joint convention of the College of Commerce and Journalism with the Ohio Society of Certified Public Accountants on May 23rd, at Columbus, Ohio. A paper entitled *The Education of English Accountants* was read by Professor T. H. Sanders of the graduate school of business administration at Harvard.

### **Pennsylvania Institute of C. P. A.'s**

The Pittsburgh chapter of the Pennsylvania Institute of Certified Public Accountants held its second annual banquet in the gymnasium of the Pittsburgh Athletic Club in Pittsburgh on May 28, 1924. Officers were elected as follows: O. G. Richter, chairman; E. A. Ford Barnes, treasurer; Virgil E. Bennett, secretary; John Watt, member executive committee; William Marsh, member of executive committee; Harry W. Watkins, auditor.

### **Rhode Island Society of C. P. A.'s**

At the annual meeting of the Rhode Island Society of Certified Public Accountants, on April 28, 1924, the following officers were re-elected for the ensuing year: William H. Scott, president; George B. Clegg, Sr., vice-president; Ernest L. Goodman, secretary-treasurer. The executive committee consists of the above officers and Chester R. Union.

The reports showed a large percentage of increase in the membership during the past year. A numerous delegation is expected to attend the New England regional meeting of the American Institute at Providence on June 27th and 28th.

### **Texas State Society of C. P. A.'s**

The semi-annual meeting of the Texas State Society of Certified Public Accountants opened on the morning of May 16, 1924, in the Rice Hotel at Houston. F. M. Law, first vice-president of the First National Bank, Houston, delivered

the address of welcome, speaking on the topic "The coöperation of bankers and certified public accountants."

More than twenty-five members of the society were present at the morning session which was devoted to business matters. At the afternoon session advertising and the question of the publication of an official organ were discussed.

Speakers at morning session included C. S. E. Holland, president of the chamber of commerce; J. E. Hutchinson, of Dallas; Judge N. B. Morris; Loyd B. Smith, of Dallas. Professor Ribbink, of the University of Texas, delivered an address at the afternoon session dealing with educational topics related to accountancy. A dinner at seven in the evening concluded the meeting. At the evening session candidates being examined before the state board of accountancy were guests of the society.

The officers of the society are: George Armistead, Houston, president; Frank C. Rodgers, San Antonio, vice-president; C. E. Scales, Fort Worth, secretary-treasurer.

#### **Virginia Society of Public Accountants**

The Virginia Society of Public Accountants will hold a semi-annual meeting on Saturday, June 21, 1924, at the Monticello Hotel, Norfolk. Raymond Reik will give an historical synopsis and prophecy on accounting legislation. William P. Hilton, of Norfolk, will sub-

mit a paper. R. J. Bennett, of Philadelphia, will lead one of the discussions. It is hoped that Stephen G. Rusk, New York, will speak on income taxes. The committee on arrangements consists of: A. Lee Rawlings, chairman; Fred B. Hill, A. M. Pullen, J. B. Redford and W. S. Taylor.

#### **Washington Society of C. P. A.'s**

Members of the Washington Society of Certified Public Accountants gathered at the Rainier Club in Seattle on May 23, 1924, at which there were present as guests of the society William M. Lybrand of New York and G. R. Keast, formerly of Pittsburgh but now of San Francisco.

Mr. Lybrand addressed the state society in a very interesting and instructive manner regarding recent activities of the American Institute of Accountants.

J. M. McConahey is president of the Washington State Society.

#### **Wyoming Society of C. P. A.'s**

The Wyoming Society of C. P. A.'s was formed at a meeting held in Cheyenne last month. The following officers were elected: C. H. Reimerth, president; W. P. Batchellor, vice-president; A. H. Macdougall, secretary and treasurer. The initial membership consists of sixteen certified public accountants practising in Wyoming.

### **ON THE ROSTRUM**

George D. Begole, city auditor of Denver, Colorado, has been invited to give the principal address at the nineteenth annual convention of the National Association of Comptrollers & Accounting Officers, which will be held at Providence, Rhode Island, on June 17th, 18th and 19th.

Cyril N. Bullock, a member of the Institute living in Detroit, is chairman of the prison conditions committee of the Detroit board of commerce. The *Detroit* recently published a long article which described some of his activities in public life.

Howard F. Farrington, of Watertown, read a paper on *Purchase Discounts* before the eleventh semi-annual convention of the

Cost Association of the Paper Industry at Erie, Pennsylvania, on May 20th.

Ernest W. Lovejoy, New York, addressed the Yorkville Board of Trade and Chamber of Commerce at luncheon on Tuesday, June 10th, speaking on the topic, "The relationship of business and accountancy."

Carl H. Nau, member of the Institute and its former president, has completed a report as auditor and master to Judge Robert S. Marx in the case of *Robert S. Alcorn, plaintiff v. The Cincinnati Traction Company and The Cincinnati Street Railway Company, defendants*, in the superior court of Cincinnati. This was a taxpayer's

suit against the Cincinnati Traction Company. This company operates under a so-called service-at-cost franchise granted to it by the city of Cincinnati. The franchise provides for payment of all operating expenses, annual rental, provision for sinking fund, interest, dividends, taxes, etc. The ordinance provides machinery to increase or decrease fares out of surplus after charges have been met. The claim was made that the companies had been diverting revenues and that the city was entitled to \$1,400,000 of delinquent taxes for the years 1920 to 1923 inclusive.

A. E. Wright, Los Angeles, has been engaged to conduct the new class in accounting which meets twice a week at the Lincoln evening high school at Los Angeles, California. The course, free to the public, covers wholesaling, retailing, partnership and corporation accounting.

Georges Gonthier, chartered accountant, has been appointed auditor general of Canada. The Canadian newspapers regard the appointment as an example of

the public service to which accountants may look forward as a logical development of the field of accounting activity. The *Montreal Gazette* points out that both dominion and provincial governments are turning to accountants more and more for aid in solving administrative problems. In the course of his remarks at a dinner tendered him in Montreal, Mr. Gonthier said in part:

"Recent events should inspire the chartered accountants with great hopefulness. In fact, the public powers, so well presented here tonight, seem to rely more and more upon accountants for help in the solution of their problems. Might I recall to your minds the recent creation, by the federal government, of the audit board, three out of four of whose members are chartered accountants, endowed with largest powers of investigation into the workings of the civil service and of the central administration. On the other hand the provincial governments patronize to a larger extent than heretofore the members of our profession, whose help is duly appreciated."

## OBITUARY

Thomas Uriel Conner, member of the American Institute of Accountants died at Baltimore, Maryland, May 3, 1924.

William Franklin Hall, the oldest practicing accountant in Boston, died at his home, 103 Thurston Street, Somerville, on May 20, 1924. He was born in Charlestown on December 8, 1840. He was the holder of a Henry Price medal, given only to those who have been fifty years a Mason, and was a member of the Somerville lodge of Masons, Willard C. Kinsley Post 139, G. A. R., the Boston City Club and Boston Chamber of Commerce. He was a

member of the American Institute of Accountants.

H. J. Jackson, member of the American Institute of Accountants, resident at Chicago, died April 27, 1924.

John Hall McClement, member of the American Institute of Accountants, died at his residence in Brooklyn, New York, May 16, 1924.

Chauncey A. Olcott, associate of the American Institute of Accountants, died May 5, 1924. He was junior member of the firm Kinard & Olcott, El Dorado, Arkansas.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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JULY 15, 1924

SERIES B, No. 3

### ANNUAL MEETING OF AMERICAN INSTITUTE OF ACCOUNTANTS

The attention of all members and associates of the Institute is directed to the notice of the annual meeting of the Institute which has been sent out by the committee on meetings. The meeting will be held at the Chase Hotel, St. Louis, on the 16th and 17th days of September. Council meetings will be held on the 15th and 18th. As members have already been reminded, this is the twentieth anniversary of the congress of accountants held in St. Louis during the World's Fair in 1904, and many of

those who were present at the former meeting are expected to attend this year.

The leading foreign societies of accountants have been requested to send delegates to attend this meeting.

The committee on meetings urges that members and associates signify their intention to attend the meeting. It is expected that there will be an unusually large number present, and the work of the committee will be greatly facilitated by notification in regard to attendance.

### BOARD OF EXAMINERS OF THE INSTITUTE

#### May, 1924, Examinations

Twenty-five states coöperated with the Institute in the conduct of the May, 1924, examinations. The states were Alabama, Arkansas, California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Utah and Vermont.

Of the three hundred and eighty-four candidates who took the written examinations in the various parts of the United States, one hundred and eighteen passed, ninety-seven were conditioned in one subject and one hundred and sixty-nine failed.

Of the thirty-seven applicants for admission to membership in the Institute thirteen passed in all subjects; eight had already passed the examinations conducted by state boards coöperating with the Institute; twelve had passed other examinations acceptable to the Institute board of ex-

aminers; one was conditioned in a single subject; three failed to pass.

Of twenty-three applicants for admission as associates nine passed in all subjects; three had already passed the Institute examinations conducted by state boards coöperating with the Institute, five had passed other examinations acceptable to the Institute board of examiners; two were conditioned in a single subject; four failed to pass.

Twelve associates were recommended for advancement to membership.

Louis D. Blum of New York passed the examination with distinction.

Following is a list of candidates whose names have been submitted to the council by the board of examiners for election:

For advancement to membership:

James Addison, New York  
Lyle B. Croft, Little Rock  
Ralph G. Davis, Chicago  
Dix D. Dewey, Chicago  
Edwin L. Gluck, New York  
Joe A. Hathaway, Chicago

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Alfred N. Maas, New York  
Frederick S. Parsons, New York  
John W. Roberts, New York  
John A. Stolp, Chicago  
Sydney L. G. Sutherland, Boston  
Carl W. Wright, New York

### For admission as members:

Harold E. Bacon, New York  
Arthur G. Baumgartner, New York  
Joseph U. Blanchet, New York  
Louis D. Blum, New York  
Daniel F. Condon, Boston  
John W. Dawson, Washington, D. C.  
Fred J. Duncombe, Chicago  
Grover C. Feurst, Pittsburgh  
William B. Franke, Rochester  
Hyman Freireich, New York  
Maurice V. Genez, New York  
John M. Gilchrist, Omaha  
Max Heller, Philadelphia  
John M. Kelly, New York  
Albert H. Klehfoth, Cincinnati  
Nicholas A. Leitner, New York  
George C. Lieb, Philadelphia  
Andrew E. Merkle, Dallas  
Carl W. Miller, Cleveland  
Edward G. Mulligan, Montreal  
Edwin J. Naylor, New York  
Stanley Pembridge, New York  
Arthur G. P. Rigby, New York  
Marx P. Rosenthaler, Detroit  
Henry L. Seidman, New York  
Harry E. Spears, Baltimore  
Maurice W. Stoffer, St. Paul  
Fred E. Swartz, Philadelphia  
George W. Wilde, Los Angeles

Lawrence H. Willig, Cincinnati  
Lee J. Wolfe, New York  
S. Herbert Wolfe, New York  
George Zinberg, New York

### For admission as associates:

Hamilton V. Bail, New York  
Harold J. Beairsto, New York  
Lloyd Bergset, Duluth  
Daniel A. Brophy, Chicago  
Roy C. Brown, Greenville, Miss.  
William H. Compton, Trenton, New Jersey  
Ernest C. Davies, Chicago  
Charles L. Evans, Boston  
John R. Fincher, New York  
William J. Forster, New York  
Anthony Jaureguy, Boston  
J. Fred Lynn, Chicago  
Edwin S. Reno, Pittsburgh  
George F. Sampson, New York  
John T. Sawyer, Jr., Milwaukee  
Raymond T. Schneider, Minneapolis  
Carl F. Speth, Chicago

The council is now voting upon these recommendations. The fact that the applicants' names have been recommended by the board of examiners does not necessarily carry with it election, which depends upon the action of the council. If protest is to be made by any member or associate against the election of any of the applicants mentioned above, such protest must reach the offices of the Institute by August 1st.

## REGIONAL MEETINGS

### Southeastern States

Eight states were represented at the Southeastern regional meeting held at Hotel DuPont, Wilmington, Delaware, June 25th and 26th. W. H. Van Hekle of Philadelphia presided. There were representatives of South Carolina, North Carolina, Virginia, Maryland, Delaware, Pennsylvania, New York and New Jersey.

W. P. Hilton of Norfolk, presented a paper on *Interest of the Professional Accountants in Public Life*, in which he made an earnest plea for a larger participation in civic affairs by public accountants. He quoted figures to show the large increase in taxation in various states and communities and expressed the belief that accountants should play a part in the preparation of budgets for the expenditure of public moneys and should give their advice and services wherever possible to public officers and civic organizations.

Edward L. Suffern of New York spoke

on *Liability of Auditors*. He dwelt particularly upon the certification of financial statements and upon the amount of responsibility that should be assumed by public accountants. A general discussion followed.

A general discussion on *Qualified Certificates* brought to a close the first session.

Will-A. Clader of Philadelphia was toastmaster at the dinner held in the evening. Speakers at the dinner were Edward E. Gore, president of the Institute; Edward L. Suffern; A. P. Richardson, secretary of the Institute; George Wood, Lawrence J. Klauder, W. H. Van Hekle and Alfred Marvin Pullen.

At the second day's session Raymond C. Reik, of Baltimore, presented a paper on *Accountancy Legislation, an Historical Synopsis and Prophecy*.

The committee in charge of arrangements was composed of Clifford E. Iszard, Peter T. Wright and Joseph L. Pyle of

Wilmington, and W. H. Van Hekle and Will-A. Clader of Philadelphia.

### **New England**

The New England regional meeting of the Institute was held June 27th and 28th at Providence, under the direction of the Rhode Island Society of Certified Public Accountants. Sessions were held at the Providence-Biltmore. Frederick Bond Cherrington, of Boston, chairman of the general committee in charge of arrangements, presided at the sessions.

Mayor Joseph H. Gainer welcomed the visitors, of whom there were nearly 150, after which Chester R. Union of Providence, secretary of the general committee, presented a report of the previous meeting.

Secretary A. P. Richardson was the first speaker. He outlined the work of the Institute and directed his speech especially to the students who were present, describing for their benefit the steps to be taken by practising accountants to secure admission to the Institute.

T. L. Blanke, director of accounting and control of the National Retail Dry Goods Association, presented a paper on a standard system of accounting and management for retail stores. Its presentation was followed by an animated discussion during which Mr. Blanke answered many questions as to the method of operation of the plan which he put forward.

Luncheon was followed by a session at which President E. E. Gore of the Institute gave a comparative review of the accomplishments of the Institute during the past year and presented an outline of what he believed the immediate future of the Institute and the profession of accountancy will be. He spoke at length of the tax situation and of the effect of the recently enacted federal law, dwelling particularly on the part the Institute played in bringing about the passage of the clauses providing for a board of tax appeal.

"The influence of the American Institute of Accountants and of the profession of accountancy," he said, "is wider than that of any trade organization because of the fact that the Institute and the rest of the profession are entirely unselfish in the service that they render and the recommendations that they make. The opportunities of the profession are widening. The Insti-

tute is getting into touch with all affairs of business and civic life. Every practitioner owes the profession a duty. Accountants have been too modest in the past and as a result little has been known of what they have done."

The greater part of the afternoon was devoted to the discussion of various questions presented by members. On the subject of maintenance of professional standard rates, Mr. Gore stated that he believed practising accountants should maintain that there is no such thing as competition among practising public accountants; that each should believe his own service is distinct and individual and entirely apart from service which other practising accountants may offer and that therefore each accountant should put his own price on his own services.

The general committee in charge of the meeting was composed of Frederick Bond Cherrington, of Boston, chairman; Chester R. Union, of Providence, secretary; Percy D. Mitchell, of Portland, Me.; J. Edward Masters, Boston; Alfred P. Ward, Providence; and Charles F. Coates, Hartford, Conn. The local committee was composed of Alfred P. Ward, Chester R. Union, S. George Hay, Lewis G. Fisher and George B. Clegg.

### **Pacific Northwest**

The third annual meeting of accountants in the Pacific Northwest, attended by the members of the Washington Society of Certified Public Accountants, the Oregon State Society of Certified Public Accountants and the Institute of Chartered Accountants of British Columbia, was held at Vancouver, B. C., June 28, 1924, at the invitation of the Institute of Chartered Accountants of British Columbia.

At the dinner W. R. Carmichael, president of the Institute of Chartered Accountants of British Columbia, J. P. Dawson, president of the Oregon State Society of Certified Public Accountants, J. W. McConahey, president of the Washington Society of Certified Public Accountants, R. D. White of Seattle, G. F. Gyles of Vancouver, B. C., and Homer A. Dunn of New York were among the speakers.

The next annual meeting is to be held at the invitation of the Washington Society of Certified Public Accountants in Seattle in the summer of 1925.



## COMMITTEE ACTIVITIES

### Committee on Federal Legislation

The committee on federal legislation reports that twelve members of the board of tax appeals have been appointed by President Coolidge in accordance with the provisions of the revenue act of 1924 and will organize immediately. The act provides that the board shall consist of seven members "except that for a period of two years after the enactment of this act the board shall be composed of such members, not more than twenty-eight, as the president determines to be necessary." It is probable that the remaining members of the board will be appointed in the fall.

Of the twelve members whose appointments have been announced, seven, Adolphus E. Graupner of San Francisco, J. S. Y. Ivins of New York, A. E. James of New Jersey, John M. Sternhagen of Chicago, Sumner L. Trussell of Minneapolis, John J. Marquette of Washington, D. C., and W. C. Lansdon of Salina, Kan., were selected from the general public. Five, Charles D. Hamel of Grafton, N. D., Benjamin H. Littleton of Nashville, Tenn., Jules Gilmer Korner of Winston-Salem, N. C., Charles P. Smith of Boston, Mass., and Charles M. Trammell of Lakeland, Fla., were appointed from the personnel of the bureau of internal revenue.

Adolphus E. Graupner is a lawyer, and for some years was judge of the superior court of San Francisco. J. S. Y. Ivins is an accountant. Mr. Ivins formerly was director of New York state income tax. A. E. James, John W. Sternhagen, Sumner L. Trussell and John L. Marquette are lawyers. W. C. Lansdon for many years has been an executive officer of the Kansas state farmers' union. He is a former newspaper man and at one time was member of the faculty of the Kansas University.

The revenue act of 1924 provides that "each member of the board of tax appeals shall be appointed by the president by and with the advice and consent of the senate solely on the grounds of fitness to perform the duties of the office."

The act provides that: "Notice and opportunity to be heard shall be given the taxpayer and the commissioner and a decision shall be made as quickly as practicable. Hearings before the board and its divisions shall be open to the public. The

proceedings of the board and its divisions shall be conducted in accordance with such rules of evidence and procedure as the board may prescribe. It shall be the duty of the board and of each division to make a report in writing of its findings of fact and decision in each case, and a copy of its report shall be entered of record and a copy furnished the taxpayer. If the amount of tax in controversy is more than \$10,000 the oral testimony taken at the hearing shall be reduced to writing and the report shall contain an opinion in writing in addition to the findings of fact and decision. All reports of the board and its divisions and all evidence received by the board and its divisions (including, in cases where the oral testimony is reduced to writing the transcript thereof) shall be public records open to the inspection of the public."

### Special Committee on Public Affairs

Interesting facts concerning the experiences of some members and associates of the Institute in regard to arbitration have been brought out in the correspondence of the bureau of public affairs resulting from the issuance of its letter-bulletin on arbitration. This letter-bulletin is being placed in the hands of the chamber of commerce in every locality in which the Institute has members or associates. Replies from these civic and commercial organizations indicate a lively interest in arbitration.

At the request of many of the chambers of commerce, the bureau of public affairs has outlined the work which may be done in the various states in behalf of arbitration. A study of the situation shows that this is practically a virgin field in many states and the first step to be taken is to discover whether or not there is a state law providing for arbitration. If it is found that there is such a statute the next step is to discover whether it is effective. In order to operate satisfactorily such an act must contain a clause which prohibits the withdrawal of either disputant once a dispute has been submitted to arbitration. This must be the essential feature of any such law.

It has been pointed out to members and associates that they may interest themselves in the passage of suitable legislation. If there is no arbitration law or if the present

law is unsatisfactory in any state the enactment of a new measure is advocated. It is believed that in many states as a result of the activity of members and associates of the Institute campaigns will be under way in the last half of this year and during 1925 for the enactment of such legislation.

If it is found that the existing laws are satisfactory in a given state, it is pointed out to members and associates of the Institute that they may interest themselves in presenting to the business public the advantages of the use of arbitration in settling business disputes.

A member in Massachusetts who has interested himself in arbitration and who has acted as arbitrator, writing to the bureau of public affairs, says:

"You may also be interested to know that I have been sitting as single arbitrator in a dispute between one of our leading merchants and a building contractor which is proving exceedingly intricate and which I have been hearing intermittently for more than a year, acting as counsel for both parties and also as judge.

"I have one suggestion to make in respect of compensation. I see no reason why anyone should serve as arbitrator in commercial disputes without compensation and I think it is highly important that the rate of compensation be determined in advance and that in most cases it should be fixed upon a per diem basis. I may say that in the case to which I have referred it is set forth in the arbitration agreement, drawn in conformity with chapter 251 of our Massachusetts statutes, that my compensation shall be at the rate of two hundred dollars a day. On this basis, the total cost to the parties, compared with the cost of trying the case in court, will be very slight and it is already evident that the result will be highly satisfactory. In addition to two or three broad, fundamental questions, there were, in this case,

sixty specific points or items in dispute and in the course of the hearings the parties have reached an agreement in respect of more than half of them. This particular case involves some questions of law as well as of fact and with the consent of the parties, I have obtained opinions on these points from a competent attorney of my own selection. In respect of some technical questions, testimony of expert witnesses produced by the parties has been taken and, in addition to this (and this I think is an important point in favor of arbitration), I have independently, with the knowledge and consent of the parties, obtained expert opinions from several disinterested architects, contractors, etc., which have been of the greatest value in reaching equitable decisions in respect of various points at issue."

An accountant of the middle west cites a case in which he was employed as auditor in an arbitration with two attorneys in charge. This accountant points out that the case was won on a discovery made by him of an entry of an illegal disbursement which forced a settlement. In this case he says the lawyers each received \$1200 and he received \$500. The accountant expresses the hope that the day will soon come when professional accountants may demand and receive fees equal to those of attorneys when they perform services equally valuable. He adds that possibly a strict adherence to the ethics of the Institute and to professional fees will help to bring this day.

As this bulletin goes to press the bureau of public affairs is sending to the printer the second letter-bulletin in its series which will deal with crime tendency in the office. Preparations are being made for a wide distribution of this letter-bulletin to the business, banking and professional interests and organizations of the country.

## NEWS OF LOCAL SOCIETIES

### **California State Society of C. P. A's.**

At the annual meeting of the California State Society of Certified Public Accountants held in Los Angeles on Saturday, June 14th, the following officers were elected: William Dolge, president; W. J. Kottemann, first vice-president; H. Ivor Thomas, second vice-president; John F. Forbes, secretary-treasurer; directors: W. H. Brown, C. P. Carruthers, R. W. E. Cole, Walter Hood, F. M. Lee, A. D. Macleod, N. L. McLaren, Jr., J. R. Ruckstell, and George M. Thompson. The California state society added fourteen members dur-

ing the year, the principal increase being in the Los Angeles chapter.

The society held a meeting in San Francisco, June 9, 1924, on the occasion of the visit of the president of the American Institute of Accountants. The dinner arrangements were made by the president of the society. There was a liberal attendance of the members of the society in spite of the fact that only two days' notice was given of Mr. Gore's coming. The meeting was presided over by Mr. Dodge who introduced as speakers Professor Henry Rand Hatfield of the University of California,

N. L. McLaren, Jr., John R. Ruckstell, Walter Hood and others, in addition to Mr. Gore.

A lively interest was indicated in the work of the Institute and all the accountants present expressed their willingness to be of service to the organization.

### **District of Columbia Institute of Accountants**

The annual meeting of the District of Columbia Institute of Accountants was held at the City Club on the evening of June 16th, when a new governing body was elected for the ensuing year. The newly elected board consists of the following members: Wm. Clabaugh, James A. Councilor, Edward M. Tyler, C. Vaughan Darby and Lester Pratt. The board of directors elected the following officers: James A. Councilor, president, Edward M. Tyler, vice-president, C. Vaughan Darby, secretary-treasurer.

The annual meeting was well attended. The president's report reviewed the progress of the last three years. It is the hope of the Institute to have on its rolls all the practising certified public accountants of the District of Columbia.

### **Kansas Institute of C. P. A.'s**

The Kansas Institute of Certified Public Accountants held its annual meeting in Topeka on Tuesday, June 10th. A committee was appointed to study the various arbitration laws in the hope of suggesting changes in the Kansas laws which might appear advisable.

Members of the Kansas Institute were urged to apply for membership in the American Institute of Accountants. The Kansas Institute adopted the code of ethics of the American Institute in its entirety. The next semi-annual meeting will be held at Kansas City, Kansas.

The following officers were elected for the coming year: J. D. M. Crockett, Kansas City, president; J. D. French, vice-president; W. T. Newman, secretary-treasurer; and H. B. Swanson, auditor and director.

### **Missouri Society of C. P. A.'s**

The annual meeting of the Missouri Society of Certified Public Accountants was held at the Coronado Hotel, St. Louis, on the morning of June 13, 1924. Thirty members attended.

Among other matters discussed was the forthcoming convention of the American Institute of Accountants to be held in St. Louis in September, 1924, and a rough outline of the plans of the meeting was given.

The meeting was addressed by James P. Cahill of the United States Veterans' Bureau, who described the training given to the vocational students at the universities in St. Louis.

In the afternoon a blind bogey golf tournament was held at the Glen Echo country club. Those who did not play attended a baseball game. Dinner in the evening was attended by ninety members and friends and this was followed by a programme which was carried out entirely by members of the St. Louis chapter.

The following officers were elected for the ensuing year: E. H. Wagner, St. Louis, president; F. A. Wright, Kansas City, first vice-president; Edward Fraser, Kansas City, second vice-president; E. W. Gotenstrater, St. Louis, treasurer; J. J. Lang, St. Louis, secretary.

### **Kansas City Chapter Missouri Society**

The Kansas City chapter has sent out twenty-eight hundred copies of its first bulletin to the bankers of Kansas, western Missouri and to some of the bankers in Oklahoma and Nebraska. A second bulletin, which explains the title, "C. P. A.", is now in the hands of the printer and will be sent out to the bankers in this same territory.

A member of the chapter, Edward Fraser, will give a series of lectures to members of the chamber of commerce who are executives and managers, on various phases of accounting, supervision of bookkeepers and the place and importance of accounting records in the management of business.

A committee of the local chapter is assisting the board of freeholders in drawing up a new charter for Kansas City. This committee will give counsel and assistance in finance, budget and accounting matters.

### **Montana Society of C. P. A.'s**

The Montana Society of Certified Public Accountants concluded a two-days' convention at Billings on June 21st. Butte was selected for the organization's 1925 conven-

tion. Officers elected for the ensuing year are: Roscoe L. Thomas, Butte, president; William B. Finlay, Great Falls, vice-president; Frank A. Johnson, Helena, secretary.

Several papers were read before the convention, among them *State Banking Laws and Control*, by E. E. Murray, Lewistown; *Municipal Accounting*, by A. J. Rowland, Miles City; *Accountants as Receivers and Trustees*, by W. Grant Hoage, Butte. C. A. Rasmussen, collector of internal revenue, Helena, spoke on *The Revenue Department and the Accountant*.

It was resolved that a copy of Mr. Murray's address be transmitted to the secretary of the Montana Bankers' Association, with an expression of the willingness of Montana Society of Certified Public Accountants to lend assistance to the bankers of the state in the preparation of a new banking bill to be submitted to the next state legislature.

A lengthy discussion followed the presentation of a paper by Douglas N. Wilson of Great Falls on *Professional Ethics*.

The following resolution was unanimously adopted:

"Resolved, That the Montana State Society of Certified Public Accountants in convention assembled does condemn and protest the practice of wide solicitation for business in federal tax matters as followed by some self-styled 'tax experts' in this state, and that the members of this society who are now enrolled to practise before the bureau of internal revenue be and are hereby authorized and instructed on behalf and in the name of this society, to prefer and prosecute charges against such persons."

### **Society of C. P. A.'s of State of New Jersey**

The regular meeting of the Society of Certified Public Accountants of the State of New Jersey was held at the Washington restaurant in Newark on Tuesday evening, June 17, 1924.

Alfred F. Skinner, former judge of the Essex county court of common pleas, addressed the meeting on *Co-operation between the Legal and Accounting Professions*. His speech was a plea for greater clearness and less technicality in reports prepared by accountants. He stressed truthful presentation of facts in accounting reports and simplicity of arrangement as being the two most important features in stating the results of the accountant's work. He also spoke of the larger duties of the

accountant to society in the formulation of proper professional ideals.

Spencer S. Marsh, vice-president of the National Newark & Essex Banking Company and president of the New Jersey Bankers' Association, spoke on *The Obligation of the Certified Public Accountant to the Banker and the Financial Community*. He stated that the most valuable contribution to the complexities of modern business was the addition of perspective brought about through analysis of accounts and presentation of important factors relating to the business. He said that most intelligent bankers are as much interested in the items which could not be shown on the balance-sheet (such as future commitments, contingent liabilities, etc.) as they are in balance-sheet assets and liabilities.

Maurice E. Peloubet reported that a roster giving the names of all members of the society in geographical and alphabetical arrangement, together with a list of the firms they represented, had been prepared and mailed to 4,000 lawyers in the state and to all the national and state banks and trust companies listed in the New Jersey membership of the American Bankers' Association.

James F. Welch, president of the society, announced to the seventy members and guests present that reciprocity between New York and New Jersey had been established. Several new members were elected.

### **Saskatchewan Institute of Chartered Accountants**

Victor J. Ferguson of Saskatoon, Canada, was elected president of the Saskatchewan Institute of Chartered Accountants at the annual meeting held at Regina recently.

A mail course for business and accounting students, which the university of Saskatchewan proposes to introduce, found favor with those gathered at the meeting.

### **International Mathematical Congress, Toronto**

The International Mathematical Congress will be held in Toronto, Canada, August 11-16, 1924, under the auspices of the University of Toronto and the Royal Canadian Institute.

The congress will be conducted in conformity with the regulations of the International Research Council.

The American Institute of Accountants has been invited to and will send delegates to attend this congress.

### **Virginia Society of Public Accountants**

The Virginia Society of Public Accountants held its semi-annual meeting at the Monticello Hotel in Norfolk on Saturday, June 21st, with about fifty members present. After the usual society business was transacted eleven new members were elected and three associates were raised to fellowship. The total membership is now thirty-nine fellows, fifty-five associates and six honorary fellows. John R. Kilby, vice-president of the Virginia National Bank at

Norfolk, spoke on the topic, *Clearing House Associations and Credit Bureaus*.

### **Society of Incorporated Accountants and Auditors**

The results of the examinations conducted by the British Society of Incorporated Accountants and Auditors in May, 1924, have been published. Out of 289 candidates taking final examinations, 10 were awarded honors, 167 passed and 112 failed. In the intermediate examinations 10 were awarded honors, 186 passed and 122 failed. In the preliminary examinations 2 were awarded honors, 125 passed and 57 failed.

## **NEWS OF STATE BOARDS OF ACCOUNTANCY**

### **Connecticut**

The following are the successful candidates for certificates in the May, 1924, examinations of the Connecticut state board of accountancy: Warren M. Brown Hartford; William Fineblum, Hartford; William L. Keating, Bridgeport; J. E. Minkler, New Haven; A. L. Prely, New Haven; Edward Raphael, Hartford; Maurice Stolper, Hartford; Morris Thall, New Haven; George Young, Waterbury.

### **Indiana**

The first woman ever to receive a certificate as a certified public accountant from the Indiana state board of certified public accountants was Helen Bessler, of Tiffin, Ohio, now residing in Washington, In-

diana. Her efforts were successful in the examinations held last May.

Twenty-nine out of one hundred and ten applicants were successful in the examination, according to report of Walter G. Owens, deputy state examiner and member of the board.

### **Oregon**

At a meeting of the state board of accountancy for Oregon, held in Portland, June 10, 1924, the following officers were elected for the coming year: W. D. Whitcomb, chairman; Arthur Berridge, first vice-chairman; E. M. Wilson, second vice-chairman; George Black, third vice-chairman; Seth L. Roberts, secretary and treasurer.

## **COURT DECISIONS AFFECTING ACCOUNTANCY**

### **United States**

*Hecht v. Malley*, *Howard v. Malley*, *Howard v. Casey*, and *Crocker v. Malley* were four recent capital-stock-tax cases, decided May 12, 1924, by the United States circuit court of appeals for the first circuit.

The following points were brought out in the decisions: (1) "Massachusetts trusts" are held not subject to tax under the internal-revenue act of 1916, but are subject to tax as associations under the act of 1918; (2) taxing statutes are not extended beyond the clear import of language used and in case of doubt are construed against the government; (3) capital stock,

within the revenue act of 1918 imposing a tax on an association based on average value of its capital stock, including surplus and undivided profits, in absence of a fixed share capital, is net value of property owned by the association and used in its business; (4) generally, in a technical sense, capital stock is a sum fixed by corporate charter as the amount paid or to be paid by stockholders for prosecution of business and benefit of creditors, but in statutes relating to taxation a court will construe capital stock to mean actual corporate property when necessary to carry out statutory intent; (5) where tax assess-

ment for year ending June 30, 1919, was not authorized by revenue act of 1916, but was paid before passage of revenue act of 1918, which was retroactive, covered year ending June 30, 1919, and authorized such taxes, it was held that such taxes could not be recovered.

### **California**

The state board of accountancy is entitled to keep its own funds, collected as fees for the licensing of certified public accountants, and is not required to pay them into the state treasury as provided by the budget law, the California supreme court recently decided. The decision was rendered in a suit brought by state controller Ray L. Riley for a writ of mandate to compel the board to turn over to the general fund all fees received by it from July to November, 1923. Riley contended that this was required by the budget law, under which the funds collected by various state commissions were to be absorbed into the state treasury.

Holding that the budget law did not repeal the law of 1905, creating the board of accountancy, which provided that no money should be paid out of the general funds of the state for the support of the board, the court decided that the board must meet its expenses out of the fees collected by it.

No opinion was expressed by the court as to whether the board's expenses are limited in amount by the figures set forth in the state budget.

The language of the court in making the decision, which was concurred in by the chief justice and five other justices, was substantially as follows:

The petitioner as controller of the state of California instituted this proceeding in mandate to compel the respondents as members of and constituting the state board of accountancy to account to the petitioner for and to pay into the state treasury all moneys received by the respondents and alleged by the petitioner to be moneys belonging to the state during the months of July, August, September, October and November, 1923.

There is no dispute as to the facts. The only question for determination is as to the legal obligation of the respondents to account for the moneys so received and to pay the same over as demanded. The petitioner bases his claim first on the provisions of section 1 of an act of March 17, 1899 (stats. 1899, p. 110), as amended in 1905 (stats. 1905, p. 382). The section as originally enacted required that "All moneys belonging to the state, received

from any source whatever, by any commission or commissioner, the board of trustees, board of managers, board of directors, or executive officer, as the case may be, of any state hospital, asylum, prison, school, or harbor, supported by or under the control of the state, shall be accounted for at the close of each month to the state controller, and in such form as the controller may prescribe and at the same time, on the order of the controller, be paid into the state treasury and credited to a fund to be known as the contingent fund of the particular institution from which such moneys are received, and the same shall be expended under the same laws and provisions as now govern the expenditures of moneys appropriated for the support of such institutions \* \* \*.

As amended in 1905 (stats. 1905, p. 382), the foregoing section was made to read as follows: "All moneys belonging to the state received from any source whatever by any officer, commission or commissioner, board of trustees, board of managers, or board of directors, shall be accounted for at the close of each month to the state controller, in such form as the controller may prescribe, and at the same time, on the order of the controller, be paid into the state treasury; *provided*, in case of any state hospital, asylum, prison, school or harbor, supported by or under control of the state, said money shall be credited to a fund to be known as the contingent fund of the particular institution from which such money is received, and may be expended under the same laws and provisions that govern the expenditure of money appropriated for the support of such institutions \* \* \*." This section was again amended in 1906 (stats. 1906, p. 43), but in no way affecting the questions now under consideration. It is contended by the petitioner that the general language of the amendment of 1905 brought the respondent board within the scope of its provisions.

The respondent board was created by an act approved March 23, 1901 (stats. 1901, p. 645). Section 1 of the act provides for the appointment of five members of the board by the governor. In section 2 it is provided that the board shall have its offices in the city and county of San Francisco and prescribes its powers and duties in examining and certifying applicants to practice as certified public accountants. Subdivision 4 of this section provides that the board shall have power and it shall be its duty "To charge and collect from all applicants such fee, not exceeding twenty-five dollars, as may be necessary to meet the expenses of examination, issuance of certificates and conducting its office; *provided*, that all such expenses, including not exceeding five dollars per day for each member while attending the sessions of the board or conducting examinations, must be paid from the current receipts, and no portion thereof shall ever be paid from the state treasury." Subdivision 7 of the section requires the board "To report annually to the governor, on or before the first day of December, all such certificates issued or renewed, together with a detailed statement of receipts and disbursements; *provided*, that any balance re-

maining in excess of the expenses incurred may be retained by the board and used in defraying the future expenses thereof." The respondent board was organized pursuant to the provisions of said act of 1901 and has continued to function as such thereunder. It has received and disbursed its own funds and has made its annual report to the governor as required. No demand was made upon the respondent to account to the controller for moneys received and pay the same into the state treasury until after the enactment of the budget bill in 1923.

It is apparent from the general language of the act of 1899 as amended in 1905 that the legislature did not intend to reach out and commit to the general funds of the state the revenues of the respondent board under the act of 1901. There is no provision of that amendment which would permit the payment of such revenues into any but the general fund of the state. The general fund consists of moneys received into the treasury and not especially appropriated to any other fund (sec. 454, pol. code). The amendment of 1905 makes specific provision for crediting moneys received from any state "hospital, asylum, prison, school or harbor" to a special or contingent fund for the support of the particular institution mentioned, and a familiar rule of construction would exclude the creation of special funds under the act for the support of other boards or institutions paying money into the treasury under the general terms of the act. If the respondent board had complied with the requirements of the act of 1905 from the time of its enactment and paid the moneys received by it into the state treasury, we find no provision of law by virtue of which such moneys could have been withdrawn for the support of the respondent board. Furthermore, the terms of the act of 1901, in language appropriate to the subject, would have precluded such payment, for it is provided in subdivision 4 of section 2 of that act that all expenses of the board must be paid from its current receipts "and no portion thereof shall be paid from the state treasury." In other words, if the respondent board had acceded to the requirements of the general language of the amendment of 1905 from and after its enactment and had paid its revenues into the state treasury, and had sought a controller's warrant on the treasury of the state for its expenses, the controller would have been confronted with the specific inhibition of the statute against any payment for such purposes from the state treasury. We cannot conclude that the general language of the amendment of 1905 had the effect of repealing or modifying the act of 1901 as contended by petitioner.

This construction of the statutes in question seems to have been followed by both the respondent board and by the state controller during all the time from 1905 to 1923, a period of over 18 years. Such contemporaneous construction is persuasive in support of the contention of the respondent. \* \* \*

The evident purpose of the act creating the respondent board was to make it self-supporting. It treats of but one subject and as against the general language of the amendment of 1905 the respondents have invoked, and, we think properly

so, the rule of construction that "where two statutes treat of the same subject, one being special and the other general, unless they are irreconcilably inconsistent, the latter, although later in date, will not be held to have repealed the former, but the special act will prevail in its application to the subject matter, so far as coming within its particular provision." (*Batement v. Colgan*, 111 Cal. 580; *Estate of Brewer*, 156 Cal. 89; *Matter of Petition of Johnson*, 167 Cal. 142). We find no irreconcilable inconsistency between the two acts. When read together they would mean that under the general language of the amendment of 1905 all state departments and agencies properly coming within its terms and receiving money belonging to the state shall account for and pay the same into the state treasury, but as to the state board of accountancy the expenses for its maintenance and support and compensation to its members for official services rendered shall be paid from fees collected from applicants for certificates to practise as certified public accountants and none of said expenses shall ever be paid from the state treasury. \* \* \*

It is also insisted by the respondent that the amendment of 1905 is not applicable to the board for the reason that the moneys collected and disbursed by it under the act of 1901 are not "moneys belonging to the state," in the sense in which this phrase is here used. The petitioner resists this contention but cites no authority in support of his position. On the other hand the respondents have called attention to several cases in other jurisdictions which seem to be directly in point. \* \* \*

It may well be assumed that the moneys collected by the respondent board are "public moneys" in the broad sense of the term. They are funds over which the legislature has control in the first instance, that is to say, they may not be charged or collected without legislative authority. But when the legislature has acted with reference thereto and has directed that the same shall be collected and disbursed in a particular way for a particular purpose under the circumstances here shown and not in accordance with the general statutes concerning the collection and disbursement of funds paid into the state treasury, it may reasonably be concluded that the legislature intended that such funds should be devoted to the support of the respondent board until otherwise specifically ordered by the law making power and should not be deemed "moneys belonging to the state" as contemplated by the general language of the amendment of 1905.

It is next contended by petitioner that even if the act of 1905 did not disturb the operations of the respondent board under the act of 1901 the adoption of the budget amendment to the constitution (const., art. IV, sec. 34) and the provisions of the budget bill (stats. 1923, p. 242) had the effect of repealing the act of 1901 in so far as the latter act constituted an authorization to the respondent board to retain and disburse such revenues in accordance with its provisions.

The budget amendment to the constitution requires the governor to submit to the legislature a budget containing a complete plan and itemized statement of all proposed expenditures of the

state provided by existing law or recommended by him "of all its institutions, departments, boards, bureaus, commissions, officers, employees and other agencies, and of all estimated revenues" and to submit with the budget an appropriation bill covering the proposed expenditures. The budget bill enacted pursuant to the constitutional amendment contains an appropriation relating to the state board of accountancy in the following language: "For support, state board of accountancy, five thousand and thirty dollars." (Stats. 1923, p. 137). The budget bill contains the following language relative to the effect of appropriations therein contained on existing statutory provisions for items of salary or support included in the act: "In all cases in which statutory provisions or appropriations have been made for items of salary or of support included in this act the amounts herein appropriated shall govern, and such other appropriations shall not be received in addition thereto," and it is contended by petitioner that inasmuch as the legislature has made the appropriation hereinbefore referred to, all authority for expenditures for compensation to the members of the board and expenses provided for by the act of 1901 has been abrogated. This contention is not well taken unless a repeal of said act either expressly or by necessary implication has been accomplished by the budget bill. It is not contended that an express repeal has taken place, but it is insisted that there is such a conflict between the budget bill and the act of 1901 as to constitute a repeal of the latter by implication. The effect of the budget amendment and the provisions of the budget bill on certain existing statutes providing for the disposition of moneys collected and disbursed under the authority of such statutes has been construed by this court in numerous so-called "budget cases" (*Railroad Commission v. Riley*, 66 Cal. Dec. 327; *Keiser v. State Board of Control*, 66 Cal. Dec. 403; *Jamne v. Riley*, 66 Cal. Dec. 405; *Western Shore Lumber Company v. Riley*, 66 Cal. Dec. 415; *Board of Osteopathic Examiners v. Riley*, 66 Cal. Dec. 423).

\* \* \*

The situation here presented is still stronger for respondent. Here we are not dealing with any special fund in the state treasury but with a fund of a self-supporting agency of the state concerning which the legislature in effect has stated in the act of 1901 it shall not be paid into the state treasury.

It is urged by the petitioner that if the respondent board is to continue, notwithstanding the budget bill, to collect and disburse the funds as provided for in the act of 1901, the said board "would not be limited for its operating expenses, charges and salaries to the fees and commissions alone, but would also receive the fund set apart in the budget bill for materials, supplies, services and expenses." But since the provisions of the budget bill did not repeal or disturb the operations of the respondent board as a self-supporting board under the act of 1901, we conclude that the items of appropriation in the budget bill purporting to set apart moneys from the general funds of the state for the support of the respondent board are not available to said board so long as it continued to function under its own act.

It should be said, however, that in this proceeding we are not called upon to consider or determine the question of whether or not the amounts specified in the budget bill and relating to the respondent board constitute a limitation upon the expenditures which said board may make during the fiscal years mentioned in said budget bill.

The peremptory writ is denied.

### Colorado

A federal grand jury, sitting at Pueblo, Colorado, recently returned a true bill against the president of a western company charging that he transmitted a balance-sheet, alleged to be false, to a Chicago bank for the purpose of credit. It was the bank which brought about the indictment. If the charges are subsequently upheld, this case probably will have established a precedent in that the truthfulness of a balance-sheet has been questioned by calling upon the federal statute passed to prevent using the mails for fraudulent purposes.

### New York

*Britton v. Scognamiglio*, (203 N. Y. S. 209), was a New York case involving a stockbroker's statement of account of transactions on margin. Where stockbroker's statement of account of transactions on margin recited that it was "in account current," and that errors and omissions were excepted, and was not accompanied by any demand for more margin, or for payment, or that it be closed, it was an account current and not an account stated.

*Gersita Corporation v. Equitable Trust Company*, (203 N. Y. S. 58), involved mutual accounts of two trading companies. Where each of two trading companies was indebted to the other for goods bought, neither in substance gave credit for the full amount owing from the other, but the actual credit extended was the balance of the mutual account.

*People ex. rel. H. Jaekel & Sons, Inc., v. Gilchrist et al.*, state tax commission, was an income-tax case decided in the appellate division (3rd department) of the supreme court of New York on May 8, 1924:

For purpose of assessing income tax, under tax law, art. 9-a, on a close corporation, evidence that president had practically retired and management was in his sons' hands held to support action of state tax commission in reducing president's salary for fourteen months covered by return.



A recent case on an account stated was *Watson v. Gillespie*, decided on November 27, 1923, in the court of appeals of New York:

Plaintiff was employed by defendants under a written contract on a profit-sharing basis. This action was brought upon an alleged account stated. The question presented on appeal was whether a "current account," so intended and so labeled, rendered as a basis of subsequent liquidation by an employee employed by these defendants, can or has in this case by acceptance by the plaintiff to whom it was rendered be-

come an account stated so as to entitle this plaintiff to the credit balance shown in cash, when such effect is contrary to and in derogation of the express terms of a written contract existing between the plaintiff and defendants, and when it has the further effect of crediting plaintiff, who is entitled under the contract only to net profits, with book profits which to the knowledge of both plaintiff and defendants had been turned into losses by shrinkage in the inventory value of accounts receivable on the basis of which the profits had been computed. Defendants won.

## LEGISLATION

### Louisiana

The following bill (House No. 276) amending the C. P. A. law of Louisiana has been passed by both houses of the state legislature and will become law when signed by the governor:

AN ACT to amend and re-enact the title, and sections 1, 2, 3, 4, 5, 6, 7, and 8 of act 125 of the general assembly of the state of Louisiana, session 1908, entitled "an act to regulate the practice of public accounting by establishing a state board of accountants, fixing its fees and emoluments; to prohibit the unlawful use of words, letters or other means of identification, by unauthorized persons, as certified public accountants under this act, and to provide penalties for the violation of its provisions"; and to repeal all laws or parts of laws in conflict with this act and particularly act No. 247 of the general assembly of the state of Louisiana, session of 1912.

Section 1. Be it enacted by the legislature of Louisiana, that the title of act No. 125 of the general assembly of the state of Louisiana, session of 1908, being "an act to regulate the practice of public accounting by establishing a state board of accountants, fixing its fees and emoluments; to prohibit the unlawful use of words, letters or other means of identification, by unauthorized persons, as certified public accountants under this act, and to provide penalties for the violation of its provisions," be amended and re-enacted so as to read as follows:

"An act to regulate the profession of public accounting by establishing a state board of certified public accountants of Louisiana, fixing its fees and emoluments; to prohibit the unlawful use of words, letters or other means of identification by unauthorized persons as certified public accountants or public accountants under this act and providing for the employment of unlicensed persons by certified public accountants or public accountants and to provide penalties for the violation of its provisions."

Section 2. That sections 1, 2, 3, 4, 5, 6, 7 and 8 of act 125 of the general assembly of the state of Louisiana, session of 1908, be, and the same are hereby amended and re-enacted so as to read, respectively, as follows, to-wit:

Section 1. Be it enacted by the legislature of Louisiana, that any citizen of the United States, residing or having a place for the regular transaction of business in the state of Louisiana, being over the age of twenty-one (21) years, of good moral character, and who shall have received from the state board of certified public accountants a certificate of his qualifications to practise as a certified public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and it shall be unlawful for any other person or persons to assume such title or use any letters, abbreviations or words to indicate that the one using same is a certified public accountant, except that those who shall be engaged in the practice of the profession of public accounting within the state of Louisiana, at the time of the passage of this act as public accountants and who have not qualified as certified public accountants and who have been in continuous practice for their own account or as a senior accountant for any firm or individual of public accountants for a period of not less than three years, and who has been maintaining an office as a public accountant immediately prior to the passage of this act, and who shall satisfy the state board of certified public accountants as to their good moral character and professional experience, shall be allowed to practise as public accountants and to be styled as such, but not to be allowed the title of certified public accountant, or the use of the abbreviation C. P. A., provided that application for registration of those not holding C. P. A. certificates under act 125 of 1908, shall be filed with the state board of certified public accountants, within sixty days after the passage of this act. Nothing in this act shall be construed as invalidating any certificate heretofore issued by the Louisiana state of board of accountants. All holders of certificates as certified public accountants, or public accountants, under this

act shall be governed and controlled by the rules and regulations adopted by the state board of certified public accountants.

Nothing contained in this article shall prevent the employment by a certified public accountant or public accountant, or a firm or co-partnership of certified public accountants, or public accountants of unlicensed persons as junior, semi-senior, senior or other assistant accountants, provided that the unlicensed employees work under the control and supervision of certified public accountants, or public accountants and do not certify to any one the accuracy or verification of audits and statements, and provided further that such unlicensed employees do not hold themselves out as engaged in the practice of public accountancy.

Be it further provided that no corporation shall be allowed to practise the profession of public accounting within the state of Louisiana, that no partnership shall practise as certified public accountants, unless each of the members thereof is a holder of a C. P. A. certificate heretofore issued by the Louisiana state board of accountants or hereafter issued by the state board of certified public accountants, and no firm shall practise as public accountants unless each and every member thereof is duly registered and qualified as above provided.

Section 2. Within sixty (60) days after the passage of this act the governor of the state of Louisiana shall appoint five (5) persons, who shall be certified public accountants of Louisiana, not less than three (3) shall be residents of the city of New Orleans, and the other member or members, if any, may be selected from the state at large and said members shall establish and constitute the "state board of certified public accountants of Louisiana." The domicile of the board shall be in the city of New Orleans.

In the appointment of the first board, under this law, the governor shall appoint one (1) member for a term of one (1) year, one (1) for a term of two (2) years, and one for a term of three (3) years, one for a term of four (4) years and one for a term of five (5) years.

Beginning one year after the first appointment under this law, and yearly thereafter, the governor shall appoint a member to serve for a term of (5) years or until such time as his successor has qualified.

In case of any vacancy or delay in appointment, the appointment shall be only for the unexpired term, so that the overlapping terms herein provided for shall always be maintained. No member of said board shall be permitted to succeed himself. All vacancies created by death, resignation or otherwise, shall be filled by the governor, for the unexpired term or terms. Within thirty (30) days after their appointment, the members of said board shall take an oath before any person authorized to administer oaths in this state, to faithfully and impartially perform their duties, and same shall be filed with the secretary of state.

Section 3. The state board of certified public accountants of Louisiana is hereby authorized and empowered to adopt and enforce all nec-

essary rules, regulations, by-laws, etc., not in conflict with law or with the provisions of this act, to govern its proceedings and to regulate the mode of conducting examinations to be held under this act provided said examinations shall be in writing and held at least once a year in the city of New Orleans; and provided further that when, in the opinion of the state board of certified public accountants of Louisiana, there is a sufficient number of applications for examination from any other locality of the state to warrant the holding of said examination in such locality, the state board of certified public accountants of Louisiana, shall hold said examination in such locality. The examinations shall cover a knowledge of the "theory of accounts," "practical accounting," "auditing," "commercial law as affecting accountancy" and such other branches of knowledge as the board may deem necessary to maintain the highest standard of proficiency in the profession of public accounting. The board shall have power and authority to issue certificates under their official seal and signatures, as provided in this act. The candidate shall be required to prove at least a high school education, or its equivalent and furnish satisfactory evidence of character and reputation. Three (3) concurring votes shall be required to pass or reject a candidate.

Section 4. The state board of certified public accountants of Louisiana shall be authorized to charge each applicant for a certificate and the registration thereof a fee not to exceed twenty-five (\$25.00) dollars, same to be paid when the application is filed provided that the fee for each application for a certificate as a public accountant filed within sixty days after the passage of this act shall not exceed fifteen (\$15.00) dollars. Out of the funds collected under this act, shall be paid the expenses of the state board of certified public accountants of Louisiana, and an amount not exceeding fifteen (\$15.00) dollars per day, each, for the time expended by such members in conducting examinations, holding hearings, as herein-after provided for, and issuing certificates, provided no expenses incurred by said board shall ever be charged to the funds of the state.

Section 5. The state board of certified public accountants of Louisiana, may, in its discretion, register the certificate of any certified public accountant who is the lawful holder of a certified public accountant's certificate issued under the law of another state, and may issue to such certified public accountant a certificate which shall entitle the holder to practise as such certified public accountant and to use the abbreviation "C. P. A." in this state, provided that the state issuing the original certificate grants similar privileges to the certified public accountants of this state.

It shall be unlawful for any holder of a certificate from another state to use the abbreviation "C. P. A." with or without any qualifying words or letters, unless he has had his certificate registered in the manner herein provided. The fee for such registration shall not exceed twenty-five (\$25.00) dollars.

Section 6. The holders of certificates heretofore issued under the provisions of act 125 of 1908 shall not be required to secure additional certificates under this act, but shall otherwise be subject to all the provisions of this act; and such certificates heretofore issued, shall for all purposes, be considered certificates issued under this act and subject to the provisions hereof.

Section 7. The state board of certified public accountants of Louisiana may revoke any certificate issued under this act, or may cancel the registration of any certificate registered under this act, for the unprofessional conduct of the holder of such certificate, or for other cause, provided that written notice shall have been mailed to the holder of such certificate twenty (20) days before any hearing thereon, stating the cause for such contemplated action, and appointing a day for a full hearing thereon by the state board of certified public accountants of Louisiana; and, provided further, that no certificate issued under this act shall be revoked until such hearing shall have been held, and provided further, that when the gravity of the offense does not, in the opinion of the board warrant such revocation the board shall have the power and authority to suspend and temporarily recall the certificate of said holder for a period of not more than one year, during which time of suspension, said holder shall not be considered as a certified public accountant or public accountant of Louisiana, and shall not be permitted to use the title of certified public accountant or public accountant or the letters "C. P. A." Provided further, that the board shall have the power and authority to merely officially censure the holder. All such hearings shall be public. The board shall have the power and authority to summon witnesses and to have them duly sworn by a notary public. Provided further, that in all such hearings the board shall be not only judges, but also investigators, and it shall be its duty to investigate all charges brought before it, either by itself or by others, by independent investigations of such charges. Four concurring votes of this board shall be required for the revocation of any certificate. Three concurring votes only will be required for a suspension or censure. Providing any person believing himself to be injured by any decision of the said board

shall have the right of appeal to a court of competent jurisdiction, further that except by express permission of the person employing him or of the heirs, personal representative or successors of such person, a certified public accountant, or public accountant, or person employed by certified public accountant or public accountant, shall not be required to, and shall not voluntarily disclose or divulge the contents of any communication made to him by any person employing him to examine, audit, or report on any books, records, or accounts, nor divulge any information derived from such books, records or accounts in rendering professional services. Providing that nothing in this section shall be taken or construed as modifying, changing or affecting the original laws of this state or the bankruptcy laws. Provided that nothing in this section shall affect any rules and laws of evidence of this state or any proceedings held in any court of law of this state or of the United States.

In the event that any provisions or part of this act shall be questioned in any court and shall be held to be invalid, the remainder of this act shall not be invalid but shall remain in full force and effect.

Section 8. If any person shall represent himself to the public as having received a certificate as provided in this act, or who shall assume the practice as a certified public accountant, or use the abbreviations "C. P. A." or any similar words or letters to indicate that the person using the same is a certified public accountant or public accountant without having received a registration certificate as provided in this act, or if any person having received a certificate, as provided in this act and having thereafter lost such certificate by revocation or suspension as provided in section 7 shall continue to practice as a certified public accountant, or public accountant, he shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not less than one hundred (\$100.00) dollars, or sentenced to serve three (3) months in jail for each offense, or both, at the discretion of the court.

Section 9. All laws or parts of laws in conflict with this act and particularly act 247 of the general assembly of the state of Louisiana, session of 1912. are hereby repealed.

## **PERSONALITIES**

Alexander Aderer, member of the American Institute of Accountants, died following an operation on Monday, July 7th. Mr. Aderer was the senior partner of Alexander Aderer & Co., had been active in state society and Institute matters, and was well known among the accountants of New York.

Lewis Ashman & Co. announce that Thomas J. Reedy has become a member of the firm, and that the practice hereafter will be conducted under the name of Ash-

man, Reedy & Co., with offices in the Straus building, 312 South Michigan avenue, Chicago, Illinois.

The Audit Company of Hawaii, Ltd., announce the removal of their offices to suite No. 414, Castle & Cooke building, Merchant street, Honolulu.

Auer & Co. announce the removal of their office to 208 south LaSalle street, Chicago, Illinois.

*Bulletin of American Institute of Accountants*

The organization of Basset, Richards & Co., Inc., is announced. The company will maintain offices at 347 Madison avenue, New York, with the following officers: William R. Basset, president; W. B. Richards, vice-president; Frederick A. Smith, treasurer, and Robert Atkins, secretary.

Bowers & Dillingham, New York, announce that Charles Berne has been admitted to partnership. The practice will be continued under the name of Bowers, Dillingham & Berne.

William Bryden and L. C. Fauble announce the dissolution of partnership. Mr. Bryden will continue to practise at 633 Securities building, Omaha, and Mr. Fauble at 638 Securities building, Omaha.

Thomas J. Burke, associate of the American Institute of Accountants is secretary-treasurer of the Cost Association of the Paper Industry.

Cooper, Winslow & Davis announce the removal of their offices to suite 1928-30, 231 south LaSalle street, Chicago, Illinois.

William H. Cullen announces the opening of offices at 105 West Monroe Street, Chicago, Illinois, practising under the firm name of W. H. Cullen & Co.

It is announced that H. L. Davis has retired from the firm of Davis & Birch. The practice will be continued under the name of Arthur L. Birch & Co., with offices at 68 Wisconsin street, Milwaukee, Wisconsin.

Escott, Barnett & Co. announce the removal of their offices to suite 506, Inter-Southern building, Louisville, Kentucky.

Archibald Gold announces the removal of his offices to Times building, Forty-second street and Broadway, New York.

Samuel Gross announces the removal of his offices to 903 Bankers Trust building, Philadelphia, Pennsylvania.

Elmer L. Hatter announces the removal of his Baltimore office to 606 Citizens National Bank building, Baltimore.

W. L. King announces the opening of an office in the Newman Stern building, Cleveland, Ohio.

M. S. Kuhns announces the organization of M. S. Kuhns & Co., with offices at 11 South La Salle street, Chicago, Illinois; 73 Tremont street, Boston, Massachusetts and 110 East 42nd street, New York.

The firm of Lee & Garrett has opened branch offices in Los Angeles and Long Beach, California.

Charles C. Link announces the opening of an office at 299 Madison Avenue, New York.

Lybrand, Ross Bros. & Montgomery announce the opening of an office in the Citizens Bank building, Baltimore, Maryland.

Jas. M. McConahey & Co. announce the removal of their offices to 1049 Henry building, Seattle, Washington.

McMorris-McDavid & Co. announce the dissolution of partnership. B. F. McMorris will continue to practise at 6750 Chamberlain avenue, St. Louis, Missouri.

Niles & Niles announce the removal of their New York office to Irving Bank-Columbia Trust building, 60 Broadway.

John M. Palm & Co. announce the removal of their offices to the Woodside building, Greenville, South Carolina.

H. M. Pond announces the opening of an office in the Chicago Temple building, 77 West Washington street, Chicago, Illinois, under the firm name of H. M. Pond & Co.

Price, Waterhouse & Co. announce the removal of their Cleveland office to the Union Trust building.

Cecil N. Prince, of Birmingham, England, has prepared a descriptive course on American accountancy.

W. B. Richards & Co., Inc., announce the removal of their offices to 347 Madison avenue, New York.

*Bulletin of American Institute of Accountants*

It is announced that W. Q. Sharp, practising at Jackson, Mississippi, has formed a partnership for practice in New Orleans with Daniel D. Ewing, under the firm name of Daniel D. Ewing & Co., with offices in the Canal-Commercial Bank building, New Orleans, Louisiana.

W. A. Smith and R. A. Lemmon announce the formation of a partnership, practising under the firm name of Smith, Lemmon & Co., with offices at 1402 Lafayette building, Detroit, Michigan.

Stagg, Mather & Co. announce the opening of an office in the Telephone building, San Juan, Porto Rico.

Louis Summers announces the removal of his offices to 185 Madison avenue, New York.

The firm of Temple, Brissman & Co., with offices at St. Paul, Minneapolis, Fargo and Washington, D. C., is a recent consolidation of two long established firms of certified public accountants, Temple, Webb & Co. and Bishop, Brissman & Co. The new firm is composed of Herbert M. Temple, Thomas J. Shannon, Herman G. Brissman and John A. Cull.

Joseph N. Tropp & Co. announce the removal of their offices to 291 Broadway, New York.

Ray Stone Webster and Thomas Albert Galloway announce the formation of a partnership under the firm name of Webster & Galloway, with offices in the Wright & Callender building, Los Angeles, California.

Joseph J. Wechsler announces the removal of his office to suite 704, 291 Broadway, New York.

D. J. Winn, G. P. Lambricht and A. M. Strickland announce their association under the name of "The Strickland Auditors, Inc." with offices in the Williamson building, Florence, South Carolina.

Frank Wittenberg and Frank L. Eaton announce the formation of a partnership,

under the firm name of Wittenberg & Eaton, with offices at 311-312 Exchange Bank building, Little Rock, Arkansas.

Robert A. Wood announces the opening of an office at 108 North Brady street, Dubois, Pennsylvania.

The board of the Moffat Tunnel commissioners in Colorado, a body created by initiated statute to manage and expend funds raised through a bond issue for the purpose of constructing a state-owned six-mile railway tunnel through the continental divide, resolved to employ a firm of certified public accountants to make periodical audit of its accounts. This was done in spite of the fact that the services of the state auditor or of the public examiner could have been obtained without charge.

Jay Escoett and N. H. Lambert announce the consolidation of their practices under the firm name of Escoett & Lambert, and the removal of their offices from 80 Wall street to 110 William street, New York.

Bernard Glickman announces the opening of offices at 291 Broadway, New York.

Lewi Gluck announces the removal of his office to room 1010 Sinclair building, 55 Liberty street, New York.

Leonard, Anzer & Leister announce the removal of their offices to suite 1117, 15 Park Row, New York.

Max Lerner announces the removal of his office to 280 Broadway, New York.

Alexander J. Lindsay announces the removal of his offices to Kittredge building, Denver, Colorado.

Ralph L. Longdon announces that he has opened an office at 89 State street, Boston, Massachusetts, practising under the firm name of Ralph L. Longdon & Co.

Irving Mandell announces the opening of an office at 165 Broadway, New York.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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AUGUST 15, 1924

SERIES B, No. 4

### ADMISSION TO THE INSTITUTE

The attention of officers of the American Institute of Accountants has been drawn to the fact that in spite of the efforts which have been made to disseminate information in regard to the requirements for admission to the Institute there are still many persons who have not been advised or have not fully apprehended the prerequisites and method of admission.

The board of examiners desires that there should be general understanding of its rules as well as of the constitutional provisions, and in its circular of information which has been provided for the assistance of accountants interested in becoming members it describes in detail the education, practice and examinations which are necessary in order to obtain admission as either member or associate. Copies of this circular will be sent to anyone who will address a request to the offices of the Institute.

Admission to the Institute is based largely upon the examination of applicants, but in certain cases the board has the right to accept in lieu of its own examination the examinations conducted by other bodies. The following quotations from the circular of information are published in the hope that readers of the bulletin will become conversant with the entrance requirements, particularly in the cases of persons who have passed other accounting examinations which they believe are equal to the examinations of the Institute:

#### Other Examinations

(a) Until further notice, the board of examiners in its discretion exercised in the case of any individual applicant for admission as an associate of the Institute may accept in lieu of its own examinations a certificate as a certified

public accountant of any state of the United States, the laws of which are held by the board of examiners of the Institute to be adequate and well administered, or a certificate of membership in a society of professional accountants in a foreign country whose requirements for admission are considered by the board of examiners of the Institute equivalent to the Institute's examinations, provided that such applicant shall have received such certificate as certified public accountant or member of a society of professional accountants after adequate examination, and that he shall have been in practice as a public accountant or in the employ on the accounting staff of a public accountant for a period of two years next preceding the date of his application, and provided further that he shall be recommended for admission by three members of the Institute residing near the place of residence of the applicant, such members to be selected by the board of examiners without knowledge of the applicant and to report to the board of examiners upon the applicant's professional qualifications, character and reputation.

(b) In the case of an applicant conforming to all the provisions contained in the foregoing paragraph, and presenting evidence of five years' public practice immediately preceding the date of his application or ten years' public practice, one year of which shall have immediately preceded date of application, the board of examiners may require such applicant to submit a thesis upon one of a group of subjects to be designated by the board and upon the result of such thesis may recommend the applicant for admission as member of the American Institute of Accountants. The board, however, may accept other evidence of professional qualifications in lieu of a thesis.

(c) The board of examiners will not extend general recognition to the members of any organization or to the holders of any degree as a class. Each case will be decided upon its individual merits, as the board is interested in the character and qualifications of the individual as well as in the nature of the examination which he has passed.

(d) If an applicant for admission to the Institute has already presented himself without success for examination by the Institute and later

has passed a C. P. A. examination in a state not cooperating with the Institute, although the examination of such state would be otherwise acceptable, he shall be required to pass another examination, oral or otherwise, as the board may

determine in each particular case, unless an interval of at least two years shall have elapsed between the date of his unsuccessful examination by the Institute and that of the successful examination by a state board.

## BOARD OF EXAMINERS

The chairman of the board of examiners has announced that the 1924 fall examinations will be held on the 13th and 14th of November.

Announcement is also made that the president of the Institute has declared elected the applicants whose names appeared in the July issue of the bulletin.

## ANNUAL MEETING OF AMERICAN INSTITUTE OF ACCOUNTANTS

The chairman of the committee on meetings has announced the following programme of business for the annual meeting of the Institute.

The Institute meetings will be held at Chase Hotel in St. Louis on the 16th and 17th days of September. The council will meet at the same place on the 15th and 18th days of the month.

Representatives of several foreign societies have already signified their intention to be present. It is expected that there will be a large attendance this year to commemorate the twentieth anniversary of the Congress of accountants of 1904.

The chairman of the committee on meetings is David L. Grey, 506 Olive street, St. Louis, Missouri.

### PROGRAMME OF BUSINESS

MONDAY, SEPTEMBER 15, 1924

10:00 A.M.—Meeting of council.

3:00 P.M.—Meeting of members of examining boards.

4:00 P.M.—Meeting of trustees, American Institute of Accountants Foundation.

TUESDAY, SEPTEMBER 16, 1924

10:00 A.M.—Opening session.

Invocation.

Reports of officers and committees.

Business session.

2:00 P.M.—Reports of special committees.

Business session.

Discussion—Inventories, with particular reference to goods in transit and cash discount.

5:00 P.M.—Meeting of American Institute of Accountants Foundation.

WEDNESDAY, SEPTEMBER 17, 1924

10:00 A.M.—Election of officers.

Discussions:

The fetish of the calendar year as a fiscal year.

Conference between clients and auditors in the settlement of a corporation balance-sheet.

2:00 P.M.—Business session.

Discussions:

University accounting courses.

Accountants and their relation to bond and stock brokers in placing securities on the market.

Capital stock and surplus.

7:00 P.M.—Banquet.

THURSDAY, SEPTEMBER 18, 1924

10:00 A.M.—Meeting of council.

## COMMITTEE ON NOMINATIONS

The following nominations have been made by the committee on nominations for officers and members of council of the American Institute of Accountants for the ensuing fiscal year:

President:

John B. Niven (New Jersey)

Vice-presidents:

Ernest Reckitt (Illinois)

W. H. West (New York)

Treasurer:

Arthur W. Teele (New York)

Council:

*Five years:*

W. Sanders Davies (New York)

Edward E. Gore (Illinois)

W. D. McGregor (New Jersey)

George S. Olive (Indiana)

Charles G. Harris (Kentucky)

C. O. Wellington (Massachusetts)

Charles E. Wermuth (Louisiana)

*Two years:*

Ernest Crowther (Pennsylvania)

Auditors:

R. G. Rankin (New York)

Andrew Stewart (New York)

## COMMITTEE ACTIVITIES

### Committee on State Legislation

The committee on state legislation has sent a letter to officers of state societies and to members of state examining boards, asking for suggestions in regard to the model C. P. A. bill which has been adopted by the Institute and is the basis of many of the C. P. A. laws of the country. The letter reads as follows:

Dear Sir:

You no doubt have been interested in the recent attempt to amend the C. P. A. law in the state of New York. This state was the first to enact C. P. A. legislation (in 1896) and the law has been changed but little since its original enactment. During the past two years public accountants in New York have given a great deal of consideration to proposals for what were considered to be desirable changes in the law and the New York State Society of Certified Public Accountants has discussed the matter exhaustively at numerous meetings. The prime objective of the proposed changes was eventually crystallized into an attempt to enact a law substantially restricting the practice of public accounting to certified public accountants, C. P. A.'s of New York state. It was recognized, however, that such a drastic proposition of necessity must be tempered with a proper consideration of and provision for those practising public accountants who had established themselves in New York while not becoming C. P. A.'s, and for those from other states whose business might bring them temporarily into the state from time to time.

The proposal took final shape in a bill sponsored by Assemblyman McGinnies, the text of which appeared in the May, 1924, edition of *The Journal of Accountancy*. The bill passed the New York legislature but was vetoed by Governor Smith. This action was discussed in the June, 1924, edition of the *Journal*.

The Institute committee on state legislation took no direct or active part in the efforts either of those favoring or opposing the proposed new law. This was by direct instruction of the executive committee to which the state legislation committee referred the matter in October last.

Some years ago the Institute, or its prede-

cessor, the American Association of Public Accountants, considered and adopted what was called a model or standard form of C. P. A. law. Some states have copied this model law in great measure. However, having regard to the present widespread discussion of C. P. A. legislation and the constant efforts to change the laws affecting public accounting in various states, it has been suggested to this committee that it make recommendations to the Institute covering a new model or standard form of C. P. A. law, at which public accountants in the various states may aim in their efforts to improve and unify existing laws. The committee on state legislation is therefore communicating with correspondents in every state and will be grateful to you amongst the others for any recommendations you may offer for consideration in drafting the suggested model C. P. A. law.

The McGinnies bill referred to contained no provision giving public accountants the right of privileged communication such as is enjoyed by the legal profession and others. Had the bill become a law, however, it was proposed to seek this privilege for public accountants by an attempted amendment to the state code of civil procedure. In your reply will you particularly give this committee your views on this point. The state of Maryland in its recently amended C. P. A. law provided as follows:—

"Except by express permission of the person employing him, or of the heirs, personal representatives or successors of such person, a certified public accountant, or public accountant, or person employed by a certified public accountant or public accountant shall not be required to, and shall not voluntarily, disclose or divulge the contents of any communication made to him by any person employing him to examine, audit or report on any books, records or accounts, nor divulge any information derived from such books, records or accounts in rendering a professional service. Provided that nothing in this section shall be taken or construed as modifying, changing or affecting the criminal laws of this state or the bankruptcy laws."

The amendment to the code of civil procedure in New York which was under informal consideration was in the following terms:

"A public accountant qualified by the regents shall not be allowed or required to disclose a communication made by a client to him or to



her, or his advice given thereon, in the course of his or her practice, nor shall any clerk, stenographer or other person employed by such qualified public accountant be allowed or required to disclose any such communication, or advice given thereon, unless the provisions of this section are expressly waived by the client."

In making your recommendations regarding a model C. P. A. law, this committee suggests, in view of the wide consideration given to it, that you follow the sequence of the proposed McGinnies law as published in the *Journal* (May, 1924) and favor us with the opinion and judgment of public accountants in your state, so far as the same can be conveniently obtained, on the following points to be considered in drafting a model law:

*I. Definition:* In what respect do you consider the McGinnies definition of the practice of public accounting deficient or otherwise? How would you improve on it?

*II. Authority for issuing C. P. A. certificates:* To keep the granting of C. P. A. certificates out of "politics", what proposal have you to make for your state? Should the "board of accountancy" be nominated by the governor or the state department of education (or its equivalent) or should the authority to issue C. P. A. certificates be vested in the governing body of a reputable university or college in your state, or otherwise?

*III. Restriction of practice:* Do public accountants in your state favor legislation restricting public practice to C. P. A.'s and how do you regard the provisions of the proposed McGinnies law in this respect?

*IV. License:* Should public accountants be required to register and pay an annual license fee?

*V. Citizenship:* Should the granting of C. P. A. certificates and the issue of licenses be limited to citizens of the United States and those who have declared their intention to become such and who carry out such declaration promptly?

This committee must report to the annual meeting of the Institute and such report will be based to a considerable extent on the replies to the above questions.

We will greatly appreciate your earliest possible reply to enable us to complete our work in ample time before the annual meeting.

Yours very truly,

F. G. COLLEY, *chairman.*

The chairman reports that he has received many replies to this letter and that they have been very helpful.

### **Special Committee on Administration of Endowment**

The report of the committee on administration of endowment submitted to the council at its semi-annual meeting on April 7th contains matter of much interest to all members of the Institute and portions of the report are presented herewith for information:

In preparing a report of the special committee on administration of endowment it is somewhat difficult to separate the activities of that committee from the activities of the American Institute of Accountants Foundation. For example, the prize competition offered by the foundation has been of much interest to the committee on administration of endowment and one of the jury appointed to consider the theses submitted is chairman of this committee. Without any thought of encroaching upon the field of the foundation this committee wishes to draw attention to the result of the prize competition which has already appeared in *The Journal of Accountancy*.

The committee feels that the ground covered by the discussions offered by contestants is somewhat restricted and that in the interest of public enlightenment there should be a more comprehensive survey of the whole question of the amount of capital properly divisible to stockholders and an extensive discussion of capital stock without par value from both the legal and accounting sides. The donor of the prizes has expressed his willingness to make available for further development of the idea the balance of the amount originally offered.

Acting under approval of the council the librarian of the Institute prepared a supplement to the *Accountants' Index* bringing the references to June 30, 1923. This supplement was ready for distribution about the first of March. A somewhat ambitious campaign of circularization was undertaken in the hope that sales of both the original volume and the supplement would be stimulated. The total cost of the supplement is approximately \$5,317.42. The cost of the original edition \$19,062.50; advertising

\$1,636.17; incidentals \$32.35, and the total revenue from sales \$13,440.10. These figures reveal a substantial debit balance in the account. Frankly the committee cannot understand the poor response which has been made to the offer of this very valuable contribution to accounting literature. It seemed to the committee and still seems that every accountant and many engineers, lawyers, bankers, etc. should be glad to avail themselves of the opportunity to obtain a complete reference to accounting literature.

The librarian reports the following statistics relative to operations of the library:

During the period from September 1, 1923, to April 1, 1924, the bureau of information received 2065 inquiries compared with 2021 in the corresponding period of the preceding fiscal year, but many of the inquiries received during the current year have fallen under the head of circulation, and there is actually a more substantial increase than these figures indicate. Three bulletins have been published and the department of current literature in *The Journal of Accountancy* has continued to render valuable service to readers of that magazine.

With the increasing activities of the bureau of information it becomes more and more difficult to determine the line between questions which can properly be answered by the bureau and those which should be referred to other agencies. For example, many of the questions deal with principles of income-tax administration, and any opinion expressed by the bureau would naturally be unofficial and possibly misleading. In such cases the committee feels that the bureau should not attempt to answer unless the question is one upon which there can be no great difference of opinion.

In regard to accounting questions, however, the committee feels that the bureau has a broader scope and should supply to members the information which they ask for, if it can be done without breach of confidence.

The chief purpose of the endowment fund is the betterment of accounting conditions to be effected through the dissemination of the best thought on vexed questions and by the advice of accountants having experience to those lacking

experience in any particular field. The committee believes that every reasonable question should receive a full and prompt response and to this end it seems necessary that a larger number of advisors be requested to come to the aid of the bureau when necessary.

It would probably be a great help if members of the Institute would notify the office of the general classes of accounting subjects upon which they would be able and willing to furnish information if requested to do so. For the past few years it has been customary to call upon a somewhat limited number of members for assistance, but it is certain that by an increase in the number of advisors the service of the bureau can be not only expedited but broadened.

### **Special Committee on Public Affairs**

Nearly fifty thousand copies of the letter-bulletin on *The Crime Tendency, the Relation of Accountancy to the Prevention of Commercial Fraud*, which was issued last week by the committee on public affairs, have been distributed. Already many expressions of commendation have been received. It is the hope of the committee that a copy of this publication may be placed in the hands of every responsible business man in the country. Many members have requested supplies of the letter-bulletin for distribution. Additional editions will be printed as required. National banks, chambers of commerce, credit-men's associations, surety companies, trade organizations, newspapers and trade publications are some of the agencies through which the circulation of this document is being accomplished.

The committee on public affairs, in its letter to members and associates concerning this letter-bulletin, said:

Your committee feels that there is here presented an opportunity for real service to the public and to the profession of accountancy. The success of this movement to combat the crime tendency—probably the first movement of the kind to be organized on a country-wide basis—depends very much on the initiative and energy of the individual members and associates of the Institute.

The business public, the committee feels, may contribute largely to a successful offensive against the crime tendency by taking the steps suggested to the membership of the Institute.

## *Bulletin of American Institute of Accountants*

Detailed studies of commercial arbitration and of the legislative situation in the various states as related to arbitration are being undertaken by chambers of commerce in various parts of the country as a result of the issuance of letter-bulletin No. 1 on this topic by the committee on public affairs. Some of the questions asked and activities planned by these organizations are indicated by the following extracts from letters from chambers of commerce:

Helena, Montana:

Your efforts in behalf of arbitration for the settlement of commercial disputes are indeed praiseworthy. We shall be glad if you will submit us an outline of what you believe we can accomplish, and just how to go about it.

The committee suggested a survey of the Montana law and a campaign of education of the business man to the advantages of commercial arbitration.

Watertown, New York:

In the monthly letter of the Watertown chamber of commerce, which goes to all members this week, reference will be made to the appointment of this arbitration committee, and in the August letter the topic will be explained in greater detail and accompanied, if possible, by the Institute letter-bulletin of May 6, 1924, which we hope to be able to send to all members.

The committee sent sufficient copies for this purpose at the suggestion of Howard F. Farrington, an Institute member.

Jacksonville, Florida:

About half of those included in the list which accompanied your letter of June 11th are members of this chamber of commerce, and since I recall many instances wherein they have been helpful to us, your suggestions are particularly welcome.

Portland, Oregon:

Copies of the bulletin which you kindly supplied have been mailed to all members of the committee on commercial arbitration of the Portland chamber, and the privilege of calling upon you for assistance is highly appreciated.

The Portland chamber of commerce has issued an excellent booklet on rules and regulations for the conduct of arbitration in which the various forms of submission are given, together with constructions of the rules.

Grand Rapids, Michigan:

Just within the past few weeks the idea has arisen among some of the prominent business men that they should appoint a committee on commercial arbitration. We will appreciate any information from you that you think would be of assistance to us in getting started.

The committee sent a detailed outline of a method of procedure, and later the Grand Rapids chamber of commerce wrote again:

We are making a very thorough investigation into this matter of commercial arbitration. We have heard from the Arbitration Society of America and are corresponding with chambers of commerce and trade organizations that have such a department. After we have made this investigation we will be in a position to say whether we are interested in forming such a department in connection with the Grand Rapids association of commerce. We thank you very kindly indeed for the interest you have shown in this matter.

Kansas City, Missouri:

We understand that the laws of the state of Missouri do not provide for the settlement of business disputes by arbitration. By this we mean that the laws do not permit a concern to write into its contracts a provision whereby any dispute arising may be settled by arbitration, such as is customary in some states. Disputes can be handled by arbitration, but they are not binding. Before the court could be established \* \* \* a law would have to be passed. We do not know that this would be a particularly difficult thing to do.

St. Louis, Missouri:

For your information I may state that while we have had this subject up for limited discussion on one or two occasions, we have never yet gone so far as to take any official action on it. I am simply writing to acknowledge receipt of your letter and state that it will, in due course, be given careful consideration.

New York, N. Y.

Merchants' Association:

Although the Merchants' Association of New York is in favor of the utilization of arbitration, instead of litigation, whenever feasible in the settlement of business disagreements, we do not maintain an arbitration committee, so that it will not be possible to follow the specific suggestions in your letter.

This association circularized its membership some time ago requesting each member to sign a statement agreeing to incorporate a clause providing for the arbitration of disputes concerning the interpretation or execution of the contract in question. A certain proportion of our membership, of course, engage in activities which do not make the inclusion of such a contract feasible (such, for example, are those in the professions). Approximately eight hundred and seventy-five members signed the request. Thereupon we transmitted to them copies of the various arbitration clauses which have been approved by arbitration organizations of standing so that there might be no delay in embodying these clauses in their contracts.

We have quoted the foregoing as illustrative of the steps we have taken to encourage commercial arbitration. When the association is called upon to provide arbitration facilities in connection with a specific dispute we have had

the cordial coöperation of Mr. Charles L. Bernheimer, chairman of the arbitration committee of the chamber of commerce of the state of New York, in arranging the details and conducting the arbitration.

It is a pleasure to learn that your Institute is giving support to this practical method of avoiding litigation, which is often so expensive to all parties.

Thomas J. Burke, an associate of the Institute, is distributing five hundred copies of letter-bulletin on *Commercial Arbitration* through the pulp and paper industry. He is secretary-treasurer of the cost association of the paper industry.

Reynold E. Blight, an Institute member of Washington, D. C., writes that many times it has been his privilege to serve on arbitration boards in southern California, where his home office is located, by reference from the courts or by agreement among litigants. In every case the result, he writes, has been quite satisfactory to the clients. He congratulates the Institute upon pushing a constructive programme of this character and asks to be called upon for any service he can render.

W. P. Hilton, an Institute member of Norfolk, Virginia, sent to the committee on public affairs a detailed statement concerning the references in the general law of Virginia to arbitration and says that he has no knowledge of its having been applied in the settlement of business litigation.

J. S. Teunon, of Trenton, New Jersey, an associate of the Institute, writes that he recently gave an address before the Trenton Lions Club on *The Arbitration of Commercial Disputes* and says that he expects that some decided action will be taken by its board of directors in the near future.

Ernest E. Murray, of Lewistown, Montana, an Institute member, looked up his state's laws on arbitration and reported that there is such a measure in existence in Montana. He wrote:

Once arbitration is agreed to on any specific subject the disputants cannot withdraw and must abide by the decision.

Last week in making out the articles of partnership of two clients I inserted a clause that they would submit any dispute arising out of the partnership agreement to a committee of three, each partner naming one arbitrator and the third to be the C. P. A. who conducted the annual audit which was stipulated for in another article.

It makes one feel good to know that your committee is taking definite action in such matters as these in order to educate the public to the work of the members. In my opinion we shall soon have to enlarge the subjects for examination so as to be sure that the members are duly qualified to act in this broader scope.

C. E. Iszard, an Institute member of Wilmington, Delaware, reported that there is no law in Delaware providing for arbitration, but that the courts occasionally appoint referees to hear cases, neither side being bound to accept the decision rendered.

## **NEWS OF STATE BOARDS OF ACCOUNTANCY**

### **Alabama**

The secretary of the state board of public accountancy in Alabama has informed us that the following candidates received C. P. A. certificates in May, 1924: James B. Carson, Frank L. Hammond and Earle B. Sanders.

### **Connecticut**

The state board of accountancy of Connecticut reports the following list of successful candidates in the May, 1924 examination, to whom certificates will be issued: Warren M. Brown, William Fineblum, William L. Keating, J. E. Minkler, A. L. Prely, Edward Raphael, Maurice Stolper, Morris Thall and George Young.

### **Minnesota**

The Minnesota state board of accountancy, after grading examination papers

which were submitted at St. Paul recently, has conferred the degree of C. P. A. on four out of the eighteen candidates.

The new C. P. A.'s are: George P. Schmall, Minneapolis; Arthur B. Poole and J. H. Cooper, St. Paul; and Arden O. Grover, Duluth.

J. Irl Beatty, Minneapolis, was given a certificate entitling him to practise as a C. P. A. in Minnesota by virtue of his certification by the state board of Missouri.

### **New Jersey**

Following are the successful candidates in the May, 1924 examination of the New Jersey state board of public accountants: Howard J. Bradley, George Compton, Frederick R. Coyle, William Diebold, Walter F. Evertsen, Cornelius L. Flynn, C. P.

King, Frederick D. Lehn, John A. Smith, Thomas H. Smith and H. A. Walburn.

### **New York**

The bulletin of the New York State Society of Certified Public Accountants announces that the following have received C. P. A. certificates from the regents of New York since April 26, 1924: Richard Hedley Ashton, Hamilton Vaughan Bail, Irving Bossowick, Nathaniel J. Botwin, Edward H. Cohn, Jacob Farber, Frank Feigenbaum, William Feinsot, Nathan S. Glassman, Max W. Holtz, Joseph Lester

Jonick, Samuel J. Lasser, Arthur Douglas McKenzie, Randall M. Nauman, Benjamin Samuel Reitman, Samuel Simon, Sol Steinberg, Roy Andrew Steinmetz, Edward M. Treanor, Harry Warshawsky and Joseph J. Wechsler.

### **South Carolina**

The South Carolina board of examiners of public accountants advises that the following candidates successfully passed the May, 1924, examinations: W. H. Langford, J. C. Muse, K. W. Parham and L. L. Wilkinson, Jr.

## **NEWS OF LOCAL SOCIETIES**

### **Maryland Association of Certified Public Accountants**

At the annual meeting of the Maryland Association of Certified Public Accountants held on June 10, 1924, the following officers were elected for the year 1924-1925: Charles O. Hall, president; James K. Eagan, vice-president; John D. Brawner, secretary; W. A. Johnson, treasurer; Charles L. Hehl, auditor; trustees: Thomas L. Berry, Elmer L. Hatter, Raymond C. Reik and Edward J. Stegman.

The following amendment, offered to the constitution and by-laws of the Maryland Association of Certified Public Accountants, was adopted and the rules of conduct became part of the by-laws of that association:

Section 1. The following rules of professional conduct are applicable to the members of this association:

(1) The members should carry on their work in a spirit of fairness and justice to their clients and the public.

(2) No member should prepare or certify any statement containing an essential misstatement of fact, or omitting such a fact as would amount to an essential misstatement or would result in a failure to put prospective investors, creditors or others on notice in respect of a material fact not specifically shown in such statement.

(3) No member should certify to accounts or statements which have not been verified entirely under the supervision of himself or other person representing him in conformity with number four of these rules.

(4) No member should allow any person to practise as representing him who is not in partnership with him, or in his employ, or who is not a regularly practising certified public accountant in good standing.

(5) No member should directly or indirectly allow or agree to allow a commission, brokerage or other participation by the laity in the fees or profits of his professional work, nor shall he accept directly or indirectly from the laity any commission, brokerage or other participation for professional or commercial business turned over to others as an incident to his services to clients except it be for the benefit of such clients and be credited or paid over to them.

(6) No member should engage in any other business or occupation conjointly with that of his professional practice in such a manner as would be incompatible or inconsistent therewith.

(7) No member should take part in any effort to secure the enactment or amendment of any state or federal law or of any regulation of any governmental or civic body, affecting the practice of the profession, without giving immediate notice thereof to the secretary of this association who shall at once advise the board of trustees.

(8) No member should solicit the clients of another certified public accountant of the state of Maryland, but no member should be denied the right to render service to those who may directly and specifically request it.

(9) No member should directly or indirectly offer employment to an employee of a fellow member without first informing said member of his intent. This rule shall not be construed so as to inhibit negotiations with anyone who, of his own initiative or in response to public advertisement, shall apply to a member for employment.

(10) No member should advertise in a manner detrimental to the dignity or other interests of the profession. Members should not publish their professional attainments or service through the mails or in the public prints, but this shall not be construed to prohibit the publication of a simple card in directories or other public prints, or the dignified dissemination by letter, or by printed article, of impersonal information of an edu-

cational character without solicitation of professional practice. The foregoing shall not be interpreted as indicating that the association suggests or recommends advertising.

Section 2. Any member violating these rules, provided specific charges are preferred against him in writing signed by two or more members of this association, shall have a hearing thereon, the board of trustees constituting and acting as a trial board for such purpose; and the majority vote of said trial board being necessary for a decision. Upon conviction, an offending member shall be subjected to suspension for such period of time as the trial board may determine, to such discipline as the trial board may decide is deserved, or to expulsion; provided, that due notice to the accused member shall be mailed by the secretary at least fifteen (15) days before the proposed trial and that the accused member shall have the right to appear before the trial board in person and by attorney.

Section 3. Any member against whom a penalty has been imposed by the trial board may appeal from such penalty at any regular membership meeting of this association held within one year from the date on which such penalty was imposed; provided, that notice in writing of the intention so to appeal from the penalty imposed by the trial board shall be given to the secretary of this association at least fifteen (15) days prior to such meeting, and the action of the trial board in fixing the penalty to which objection is made may be overruled by the majority vote by all members present in person at such meeting. The petitioner may appear in person and by his attorney. The secretary shall also give written notice to each member of this association of the proposed appeal and date of hearing.

The following resolutions were adopted:

Resolved, that article 8, section 2, of the constitution and by-laws of the Maryland Association of Certified Public Accountants of Baltimore City be amended so as to read as follows:

Section 2. The annual dues of this Association shall be ten dollars (\$10.00), payable in advance on the second Tuesday in September, and the secretary shall so notify the members.

Resolved, that article 9, section 1, of the constitution and by-laws of the Maryland Association of Certified Public Accountants of Baltimore City, be amended so as to read as follows:

Section 1. Ten members of the association shall constitute a quorum for the transaction of business at any meeting of the association.

Resolved, that article 12 of the constitution and by-laws of the Maryland Association of Certified Public Accountants of Baltimore City, be renumbered as Section 13.

Resolved, that there be appended to article 13 of the constitution and by-laws of the Maryland Association of Certified Public Accountants of Baltimore City section 2, to read as follows:

Amendments or additions to the constitution or by-laws of this association before becoming effective shall be submitted for a mail vote to the entire membership of the association and when approved in writing by a majority there-

of shall be declared by the president to be effective.

### **Minnesota Chapter American Institute of Accountants**

At the May 16, 1924 meeting of the Minnesota chapter of the American Institute of Accountants section 2 of article 3 of the by-laws was amended to read as follows:

Sec. 2. The dues of members and associates for each fiscal year shall be fixed by a majority vote of the chapter.

This amendment will be submitted to the council of the Institute at its September meeting for approval.

### **Cost Accountants' Association of York**

An association, to be known as the Cost Accountants Association of York, was organized with an initial membership of forty-two on July 28th at a meeting held in the Manufacturers' Association's rooms at York, Pennsylvania. A constitution was adopted and the following officers elected: John E. Urich, president; W. M. Romig, vice-president; Robert H. Stagmeyer, secretary; Harry R. Serf, treasurer. Board of governors: W. E. Anderson, Joseph J. Bowers, Roy Buttorff, H. R. Munzemaier, E. E. Carter, Ray Kinsey and Charles O. Mundis. The object of the association, as found in article two of the constitution, is to promote the study of cost accounting and related subjects and to develop this line of work for mutual benefit of individual members and various industrial and business organizations of York and the vicinity.

### **Dominion Association of Chartered Accountants**

The Dominion Association of Chartered Accountants will hold its annual convention this year at Quebec from September 10th to 12th.

The programme, as arranged so far, is as follows:

Tuesday, September 9th—

Meet at Quebec boat, Montreal, sailing at 7:30 p. m., daylight time.

Wednesday, September 10th—

Breakfast on steamer. Registration of members and informal reception at Chateau Frontenac following arrival of steamer.

10 a. m.—Meeting of council.

11 a. m.—Opening session—address of welcome, president's address, appointment of committees, appointment of auditors.

12:30 p. m.—Photograph to be taken of convention on terrace, followed by luncheon at Chateau Frontenac.

2:30 p. m.—Convention reassembles at Chateau Frontenac. Address to be arranged, correspondence, reports of constituent societies, reports of standing committees.

7:30 p. m.—Annual banquet and entertainment.

Thursday, September 11th—

9:30 a. m.—Convention reassembles. Report of registration committee, report of committee on president's report, general and unfinished business.

12:30 p. m.—President's luncheon to council of Dominion Association.

2:00 p. m.—Motor drive around the island of Orleans, returning to Chateau Frontenac for dinner and informal dance.

Friday, September 12th—

9:30 a. m.—Visiting historical sights and golf game.

6:00 p. m.—Boat for Montreal leaves at 6 p. m., daylight saving time.

### **Institute of Chartered Accountants of Nova Scotia**

At the annual meeting of the Institute of Chartered Accountants of Nova Scotia held at the Queen hotel in Halifax on April 22, 1924, the following officers were elected for the ensuing year: George H. Holder, president; W. H. Studd, vice-president; H. D. Creighton, secretary-treasurer. Members of the council: H. E. Crowell, G. W. Dickson, T. H. Johnson, E. Kaulbach, W. E. Leverman, F. A. Nightengale and F. E. Smith; auditor: Roy I. Balcom.

### **Institute of Chartered Accountants of Ontario**

At the forty-first annual general meeting of the Institute of Chartered Accountants of Ontario, held at the Lake Shore Golf & Country Club, Clarkson, on June 26, 1924, the election of officers for the ensuing year resulted as follows: J. Wyndham Eddis, president; R. Easton Burns, first vice-president; Fred Page Higgins, second vice-president; H. Percy Edwards, secretary-treasurer; members of council: R.

Easton Burns, Arthur A. Crawley, J. Wyndham Eddis, George Edwards, H. Percy Edwards, H. D. Lockhart Gordon, Harvey E. Guilfoyle, Fred Page Higgins, F. G. Jewell, D. M. McClelland, Arnold Morphy, G. M. Mulholland, Arthur C. Neff, Harold A. Shiack and Fred J. Stiff; auditors: W. A. Cameron and B. I. England; registrar: William J. Valteau.

### **Chamber of Commerce, U. S. A.**

The Chamber of Commerce of the United States has adopted a code of business ethics which is published herewith. It has met with general approval as an enunciation of fundamental principles:

I. The foundation of business is confidence, which springs from integrity, fair dealing, efficient service and mutual benefit.

II. The reward of business for service rendered is a fair profit plus a safe reserve, commensurate with risks involved and foresight exercised.

III. Equitable consideration is due in business alike to capital, management, employees and the public.

IV. Knowledge—thorough and specific—and unceasing study of the facts and forces affecting a business enterprise are essential to a lasting individual success and to efficient service to the public.

V. Permanency and continuity of service are basic aims of business, that knowledge gained may be fully utilized, confidence established and efficiency increased.

VI. Obligations to itself and society prompt business unceasingly to strive toward continuity of operation, bettering conditions of employment, and increasing the efficiency and opportunities of individual employees.

VII. Contracts and undertakings, written or oral, are to be performed in letter and in spirit. Changed conditions do not justify their cancellation without mutual consent.

VIII. Representation of goods and services should be truthfully made and scrupulously fulfilled.

IX. Waste in any form,—of capital, labor, services, materials, or natural resources,—is intolerable and constant effort will be made toward its elimination.

X. Excesses of every nature,—inflation of credit, over-expansion, over-buying, over-stimulation of sales,—which create artificial

conditions and produce crises and depressions are condemned.

XI. Unfair competition, embracing all acts characterized by bad faith, deception, fraud, or oppression, including commercial bribery, is wasteful, despicable and a public wrong. Business will rely for its success on the excellence of its own service.

XII. Controversies will, where possible, be adjusted by voluntary agreement or impartial arbitration.

XIII. Corporate forms do not absolve from or alter the moral obligations of indi-

viduals. Responsibilities will be as courageously and conscientiously discharged by those acting in representative capacities as when acting for themselves.

XIV. Lawful coöperation among business men and in useful business organizations in support of these principles of business conduct is commended.

XV. Business should render restrictive legislation unnecessary through so conducting itself as to deserve and inspire public confidence.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Federal

A recent income-tax decision involving the rights of bankrupt creditors of a partnership was *in re Finkelstein et al*, U. S. v. *Kaufman*, *in re Jones & Baker*, decided in the circuit court of appeals, 2nd circuit, Nos. 267 and 338, on April 7, 1924.

The fact established by this decision was that income taxes assessed against a partner have no priority over partnership creditors as respects partnership assets, nor is there any equitable lien for such taxes which would require specific property to which to attach.

Another recent income tax case was *Douglas et al v. Edwards*, collector of internal revenue, decided by the circuit court of appeals, second circuit, on April 7, 1924. Judge Mayer delivered the opinion, in which Judge Rogers and Judge Manton concurred, which was substantially as follows:

For purposes of the income tax, the rights of the parties can neither be established nor impaired by bookkeeping methods or by names given to various items; whether something is capital or income, and to what year dividends should be allocated, being dependent on the subject-matter and on the statute involved, when construed in the light of constitutional requirements.

A dividend declared as capital distribution out of corporation's depletion reserve held taxable as income, notwithstanding it accrued prior to the effective date of the sixteenth amendment.

Revenue act 1916, section 31 (b), as added by act Oct. 3, 1917, section 1211 (comp. st. 1918, comp. st. ann. supp. 1919, section 6336z) providing that any distribution to stockholders "in the year 1917, or subsequent tax years, shall be deemed to have been made from the most recently accumulated undivided profits or surplus," intended that such distribution should be conclusively presumed to have been made from the

most recently accumulated undivided profits or surplus, and that corporations should not be permitted to determine to what year or to what fund it would allocate such distribution; "deemed" being equivalent to "considered" or "adjudicated."

In view of the legislative history of revenue act, 1916, section 31 (b), as added by act Oct. 3, 1917, section 1211 (comp. st. 1918, comp. st. ann. supp. 1919, section 6336z), providing that any distribution to stockholders "in the year 1917 or subsequent tax years, shall be deemed to have been made from the most recently accumulated undivided profits or surplus," the words "undivided profits or surplus" held not to refer to current earnings, but to undivided profits or surplus accumulated in some year prior to 1917. Hence dividends declared as capital distribution from corporation's depletion reserve in September and December, 1917, should be taxed at the 1916 rate; "surplus" meaning residue of assets after liabilities, and "undivided profits" meaning such profits as exist, but have not been distributed or otherwise used.

Provisions of statutes imposing taxes are not to be extended by implication beyond the language used. In construing statutes, resort may be had within certain limits to subsequent statutes.

Revenue act 1918, section 201 (e), being comp. st. ann. supp. 1919, section 6336 1/8b, enacted a plain rule of taxation of income, whereby it laid hold of current earnings as the basis of the tax, allocated any distribution during the first 60 days of any taxable year to earnings of profits accumulated during preceding years, with a rule of proportionate distribution to cover distributions made intermediate the end of the first 60 days and the date of distribution.

Technical words, used in reference to a subject-matter as to which they have acquired a technical meaning, are to be taken in a technical sense. It is common knowledge that accumulated undivided profits or surplus cannot be ascertained without investigation, or some appropriate method of accounting or calculation.

What are true accumulated undivided profits or accumulated surplus is a question of fact, and under revenue statutes that question is usually



determined by the appropriate bureau of the treasury department, subject to such review as may be provided by statute.

In construing a statute, the court cannot speculate as to all the reasons actuating congress in enacting it, but must apply the usual relevant principles of statutory construction.

Though regulations and practices of administrative departments are entitled to weight in construing a statute, it is for the courts to construe it; and where the courts are convinced that a certain construction should be given thereto, a treasury regulation rises to no higher dignity than an expression of opinion.

An examination of sections 31 (a) and 31 (b) at once discloses that the congress used the words "earnings or profits" six times, whereas, when referring to the rates applicable to the distributee, it used entirely different phraseology; i. e., "most recently accumulated undivided profits or surplus" and "for the years in which such profits or surplus were accumulated." It cannot be assumed that these words were used carelessly, nor can the statute be approached with the presumption that the congress intended that this phraseology should be equivalent to that which would express current earnings or profits. The time-worn observation may be indulged in that, if the congress had intended to say "earnings or profits" as referring to current earnings, it could readily have done so by using these words so long familiar in taxing statutes. The language used in a taxing statute is always a matter of prime importance and the rule has recently again been stated in *United States v. Merriam*, 263 U.S. 179, 44 Sup. Ct. 69, 71, 72, 68 L. Ed.

The cases, like *Bank of Commerce v. Tennessee*, 161 U.S. 134, 146, 16 Sup. Ct. 456, 40 L. Ed. 645, and *Cornell v. Coyne*, 192 U.S. 418, 431, 24 Sup. Ct. 383, 48 L. Ed. 504, in which the doubt is resolved in favor of the government and against the taxpayer, are those in which the taxpayer claims an exemption or a privilege. That is not this case. Here, so far as concerns, in this regard, the construction of section 31 (b), plaintiffs do not ask for an exemption or privilege; on the contrary, they assert that, as matter of right under the statute, the deceased shareholder should have been taxed at other than the 1917 rate.

A late income-tax case was *Carnill v. Lederer*, collector of internal revenue, district court, E. D. Pennsylvania, decided May 16, 1924. Facts were as follows:

In an action to recover alleged excessive income tax, exacted from plaintiff on account of profit realized from the sale in 1916 of the property of a corporation of which he had been a stockholder since prior to March 1, 1913, the question in issue was the value of his stock on that date, and evidence of expenditures made by the corporation on the property between that date and the time of sale in 1916 was irrelevant.

In such action, a balance-sheet taken from the books of the corporation as of March 1, 1913 and made up with the knowledge and consent of plaintiff, held admissible as in the

nature of an admission against interest, there being no evidence to establish a market value of the stock on that date.

A recent income tax case was *Cuba R. Co. v. Edwards*, collector of internal revenue, decided in the district court, S. D. New York on June 11, 1924. Two points were emphasized in the decision:

Subsidies to railroad of specified sum per mile by Cuban government, as consideration for agreement to build and operate railroad, held contributions to capital and not taxable as income, notwithstanding one line was to be completed before subsidies were to be paid and government was given right of placing telegraph and telephone wires on right of way and prescribing terms for carriage of mails, passengers, produce and troops.

No interest may be allowed on tax erroneously paid because of commissioner's mistake in calculation after refund was accepted by taxpayer.

In *Emmich v. United States*, circuit court of appeals, sixth circuit, No. 3933, decided April 15, 1924, the following points were made:

Indictment charging defendant with making false income-tax return held sufficient to show that defendant was one of the persons required to file a return, under revenue act 1921, section 253 (comp. st. ann. supp. 1923, section 6336 1/8v) notwithstanding failure to describe defendant as an individual.

Indictment charging defendant with making a false income-tax return held sufficient to charge him with being one of the persons subject to the tax under revenue act 1921, section 262 (comp. st. ann. supp. 1923, section 6336 1/8zz) and treasury department regulations 1921, No. 62, art. 3; it appearing therefrom that defendant was not within the excepted classes.

In prosecution for making a false income-tax return, evidence of defendant's failure to file a tax return for preceding year and evidence of his occupation, income and expenditures during such year, held admissible to prove that his intent was to defraud the government.

Evidence of other and distinct offenses is inadmissible; but if intent or motive be one of the elements of the crime charged, evidence of other like conduct by defendant, at or near the time charged, is admissible.

In prosecution for making false income-tax return for 1921, evidence as to return of his net income for 1920, filed in 1922, held admissible to show his knowledge in 1920 that he had a taxable net income; the weight of such evidence being for the jury.

In prosecution for making a false income-tax return, an amended return held admissible in corroboration of defendant's admission of liability to the government, in view of evidence that defendant did not dispute his liability to the government, and that the sum agreed on was in adjustment of an admitted liability, rather than in compromise of a liability that was denied.

A defendant could be convicted of making a false income-tax return, though the return was not made under oath, as required by revenue act 1921, section 223 (comp. st. ann. supp. 1923, section 6336  $\frac{1}{8}$  kk).

In prosecution for making false income-tax return, action of court in permitting jury to look at entries in defendant's bank book held not error, where jury's consideration of entries was confined by the court to those entries which were competent.

### Alabama

In an equity case in Alabama, *Dorough v. Mt. Pleasant Fertilizer Company* (98 South 735), it was decreed that an equity bill for accounting, which is merely a suit to collect from a bank money received by it from complainant's agent, which was in law as well as in equity complainant's property and which the bank unlawfully appropriated to its own use or unlawfully withholds, is not saved by allegation that the amount in excess of a certain sum is unknown to complainant; it not negating adequacy of action in general assumpsit.

*Sweeney v. Sweeney* (98 South 883) was an Alabama case brought to bring about an accounting for an estate:

Where the administratrix of her husband's estate died more than 25 years after her appointment without having accounted for the moneys and property received by her, a bill against her administrator, seeking to require an accounting for the estate of her husband and a distribution to his heirs, held on its face to show laches, attendant circumstances alleged in the bill not excusing the delay.

Where one entitled to share in the distribution of his father's estate failed for more than 25 years to bring an action for an accounting against his mother, the administratrix, his widow could not enforce an accounting by her administrator, her death having resulted in the loss of her personal knowledge of the affairs of the estate to such an extent that equity would not attempt an accounting.

Where an administratrix of her deceased husband's estate failed for more than 25 years preceding her death to account for moneys and property received, allegations in a bill against her administrator to enforce accounting by him that, although demands had been made of the administratrix for an accounting and settlement, she had always failed to make such accounting and settlement, though admitting that

equitable title to the property was in the heirs of her husband, held not to excuse delay in bringing the suit so as to avoid the defense of laches.

### Arizona

The essentials of an account stated were declared in *Murphy v. Smith*, decided on May 24, 1924 in the supreme court of Arizona:

No particular form is necessary for an account stated, it may be oral, written, partly oral and partly written, but it must be based upon previous transactions or transaction between the parties, and a debtor and creditor relation between them must have resulted, before a mutual accounting or striking a balance may be properly called an "account stated." A principal's unsigned statement of amounts paid and expenses in sale of lands, amount received, balance and amount of broker's commission, as already orally agreed upon, though valid in form as an "account stated," could not act as a check against the statute of frauds (civ. code 1913, par. 3272, subd. 7) since it amounted to no more than an oral representation. The provisions of the statute have no application where the agreement has been completely performed as to the part thereof coming within the statute, and the part remaining to be performed is merely payment, the promise to do which is not required to be in writing.

### California

A principal was held liable on an account contracted in an agent's name in the decision handed down in the case of *Koeberle v. Friganza et al*, decided March 25, 1924 in the district court of appeal, second district, division 2, California. Hearing denied by supreme court May 21, 1924:

Where an actress purchased goods for a production in her own name, requesting plaintiff to charge them to her principal, who lived in another city and had no account there, plaintiff's communication with the principal's office and the principal's approval of the account rendered the principal liable. An acknowledged statement from a creditor to a principal, of goods sold and delivered to an agent, constituted an "account stated" between the parties. In an action on account, testimony of plaintiff's bookkeepers that plaintiff's books of account contained items as charged from actual sales slips made when each transaction occurred, that the items were the same as appeared on plaintiff's statement to defendant and testimony of a co-defendant that she purchased each item as agent for defendant, rendered the books admissible.

### Connecticut

In *Chiarelli v. Pentino*, decided in the supreme court of errors of Connecticut on June 2, 1924, it was held:

In a suit by persons conveying land as security against mortgagee for an accounting, a general prayer for equitable relief included a reconveyance.

In a suit for an accounting and reconveyance of property conveyed as security, that one of plaintiffs had assigned his interest to one not a party to action did not prevent relief, since supreme court could direct superior court to make him a party plaintiff, and thereafter to enter its decree.

In a suit for an accounting and reconveyance of property conveyed as security, failure to find demand made on defendant for an accounting prior to suit and an offer to pay him amount found due was fatal to plaintiffs' case.

### District of Columbia

The following is a copy of the judge's decision in a recent case tried in the District of Columbia wherein the court upheld the board of accountancy for the District of Columbia in refusing to grant to a C. P. A. of New York a certificate as a certified public accountant of the District of Columbia:

#### IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA

In the matter of the application of  
H. ELY GOLDSMITH, certified  
public accountant of the state of  
New York for a peremptory or  
alternative writ of mandamus,

vs.

WM. CLABAUGH, R. G. RANKIN  
and JOHN J. MILLER, as mem-  
bers of and constituting the  
board of accountancy for the  
District of Columbia.

At law  
No. 68901.

Memorandum on submission on petitioner's demurrer to the respondent's answer.

The demurrer must be overruled. The answer makes it plain that the respondents have acted in no arbitrary manner in refusing to the petitioner a certificate as a certified public accountant of the District of Columbia, but have exercised merely the discretion vested in them by the recent act of congress, approved February 17, 1923, creating a board of accountancy in and for the District of Columbia, the respondents constituting said board and being sued as such.

The court is of the opinion that the law of New York does not extend to certified public accountants of the District of Columbia, a "similar privilege" as that which the act of congress accords, and that even if it did, there has not been set in motion or established in New York the machinery or procedure to enable citizens of the District of Columbia to obtain there the privilege sought here by the petitioner, who is a New York certified public accountant.

Nor have the respondents denied to the petitioner any right that he possesses, in refusing

him the access to their records, which he demands.

Demurrer overruled.

F. L. SIDDON'S,  
Justice.

June 26, 1924.

### Illinois

A recent income-tax decision was *United States v. Chicago & E. I. Ry. Co.*, decided in the district court, N. D. Illinois, E. D., April 12, 1924. Of possible interest to accountants was the following:

Revenue act 1916, section 9a (comp. st. section 6336i) provides that in cases of "erroneous, false or fraudulent returns" the commissioner may make assessment of income and excess profits taxes at any time within three years after the return is made. Revenue act 1921, section 250d (comp. st. ann. supp. 1923, section 6336 1/2 tt) provides that taxes due under prior acts may be assessed within five years after the return is filed and that in case of a "false or fraudulent return, with intent to evade the tax," assessment may be made at any time. Held, that such provisions are effective to extend the time to five years for making assessment on an erroneous return made under act of 1916, though more than three years had elapsed after such return before passage of act of 1921.

The income from property of a corporation which is being operated by receivers held subject to income tax under revenue act 1916, as amended, which by section 13c (comp. st. section 6336m) requires receivers to make returns with respect to such property.

### Indiana

An exception to the rule that one partner cannot sue another partner without first having an accounting is found in the case of *Sapirie v. Fry*, decided in the appellate court of Indiana, division No. 2, on May 23, 1924. The exception is due to the fact that rights of creditors were not involved:

1. Generally one partner cannot sue the other without first having an accounting, dissolution, payments of debts and showing a balance due.

2. Where one partner wrongfully repudiated the partnership contract after two years' part performance of a partnership road contract, there being no debts, the other partner could recover the reasonable value of services on the contract prior to repudiation and according to the partnership terms.

### Massachusetts

The case of *Cunningham v. Commissioner of Banks et al.*, decided in the supreme judicial court of Massachusetts,

Suffolk, on June 5, 1924, was an action by Henry V. Cunningham, trustee in bankruptcy of Charles Ponzi, against the commissioner of banks in charge of the Hanover Trust Company and others.

The case brought out the fact that accounts, as between a bankrupt and an insolvent trust company, are to be adjusted as of time when commissioner of banks took possession of trust company, without interest thereafter.

### Pennsylvania

*The Castlewood*, decided April 10, 1924, in the district court, E. D., Pennsylvania, was a maritime lien case involving an account stated. Two points made in the decision were to the effect that:

A voucher issued by the emergency fleet corporation in part payment of an account for repairs, which admitted liability for the claim subject to audit and promised to pay it when audited, held to make the claim as audited an "account stated."

A maritime contract is not changed into a non-maritime contract by an account stated.

### Texas

A Texas case, *Gustafson v. Zunker* (257 S. W. 1114), involved a verified account.

Though a verified account was attached to the petition and made a part thereof, plaintiff was not called on to place it in evidence, where it was met by an answer,

properly verified, denying its justness, as its effect as evidence was destroyed by the answer.

*Tonn et al v. Inner Shoe Tire Co.*, tried in the court of civil appeals of Texas at Fort Worth, Texas, on April 12, 1924, was a rehearing of an action on a verified account. Two parts of the decision follow:

Petition that on or about a certain date defendant procured and purchased from plaintiff certain goods set forth in an exhibit held to show an isolated transaction and not proper case in which verified open account could be accepted as proof of any indebtedness, under rev. st. art. 3712.

A petition to recover upon open account for goods sold held to state same cause of action as an amended petition for price of goods, being same as specified in verified account, so that an objection that court erred in proceeding to trial on amended petition without additional citation or time to prepare for trial was not tenable.

*Willis et al. v. First National Bank of Burkburnett et al.* was decided in the court of civil appeals of Texas, Amarillo, on April 9, 1924. One part of the decision brought out the following facts:

In suit on partnership note, rights of certain partners under contract for sale of interest of one to other held not affected by pending suit for accounting between all members of firm, so as to necessitate general accounting to determine such rights.

## OBITUARY

F. W. Lafrentz & Co. announce the death on July 19th of William H. Pickett, a member of the firm.

John Mahoney of 1043-38 South Dearborn street, Chicago, died on July 2, 1924.

The death of Jarvis Woolverton Mason occurred August 5, 1924. Mr. Mason was graduated from New York University in 1884 and received a degree from the University of the State of New York in 1901. He was admitted to the bar in 1885 and practised until 1892, when he became assistant to the solicitor of the American Surety Company. He was elected vice-president of that company in 1910 and was placed in charge of the foreign department in

1915. In addition to being a member of the American Institute of Accountants, Mr. Mason was a captain of reserves of the New York National Guard and a member of the Mt. Vernon Lodge F. and A. M., the Bar Association of New York, the Republican club, the Mt. Vernon Country club and the Mt. Vernon University club. He was a member of the state board of examiners of certified public accountants.

J. S. Simpson of Spokane, Washington died suddenly April 5, 1924.

The death of Charles W. Walters, senior member of John Heins & Co., took place on July 24th at his home, 6224 Spruce street, Philadelphia. He was seventy years of age.

Mr. Walters had been connected with John Heins & Co. for thirty-five years and was active in the work there until his last illness. He was one of the oldest members of the American Institute of Accountants.

He was also a member of the Manufacturers' club, Lu Lu Temple A. A. O. N. M. S., St. John's Commandery of the Knights Templar and other fraternal organizations.

## HERE AND THERE

P. L. Banks & Co., Inc., announce the opening of offices at 430-432 Hinton building, Elizabeth City, North Carolina.

Percival G. Bixby & Co., Marine Trust building, Buffalo, New York, announce the association with them of Edward C. Gruen.

Raymond C. Brown & Co. announce the removal of their offices to the Cunard building, 25 Broadway, New York.

Henry Burke announces the opening of an office temporarily at the Bland hotel, Raleigh, North Carolina.

The Corporation Audit Company announces the removal of its offices to suite 705 Investment building, 15th street at K, Washington, D. C.

Charles B. Couchman is the author of an article on *Service Display For Credit Purposes* which appeared in the April number of the bulletin of the American Institute of Banking. He also prepared an article on *Relation of the Accountant to the Investor* for the forthcoming number of *The Magazine of Wall street*.

Edmonds & Naylor, Inc., announce the change of their name from Edmonds & Bouton, Inc., and their continuance of practice at 17-27 Cedar street, New York.

David Elder & Co., 34 Pine street, New York, announce that William Pate has retired from the firm.

The Institute has recently published, in a twelve-page pamphlet, a list of the various publications issued under its auspices.

Charles E. W. Hellerson, Philip F. Alther and John D. Stevenson announce the formation of a co-partnership under the

firm name of Alexander Aderer & Co., at 225 Fifth Avenue, New York.

J. H. Kauffman of Columbus is running for office of auditor of state of Ohio.

Caddie H. Kinard announces the removal of his offices from 16 Marks building to McKinney building, corner of Main and Washington streets, El Dorado, Arkansas.

Lansing Audit Company announces the opening of offices at 301 Capitol Savings & Loan building, Lansing, Michigan.

Little & Farrington announce the removal of their offices to 400-405 Gluck building, Niagara Falls, New York.

The Lyons Audit Company announces the removal of its Paterson offices to the Columbia building, 134 Market street, Paterson, New Jersey, and the removal of its New York offices to the Times building, Broadway at 42nd street.

Main & Co. will remove their Philadelphia office to the Packard building on September 1, 1924.

Max Marks announces the removal of his offices to 341-47 Fifth avenue, New York.

Ben S. Michaelson and Samuel Kraft announce the formation of a partnership under the firm name of Michaelson & Kraft, with offices at 1 Madison avenue, New York.

S. Newberger addressed the New York State Laundry Owners' Association at the midsummer meeting held at Saratoga Springs, New York, on July 18th. His talk was entitled *Accounting for the Costs of Various Laundry Services*. It was followed by a discussion on costs, led by Mr. Newberger.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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SEPTEMBER 10, 1924

SERIES B, No. 5

In order that the programme of the annual meeting may reach most of the members of the Institute before they leave for St. Louis, this bulletin is published five days ahead of the usual publication date.

### ANNUAL MEETING OF AMERICAN INSTITUTE OF ACCOUNTANTS

The following programme of the annual meeting of the American Institute of Accountants has been arranged by the committee on meetings.

#### MONDAY, SEPTEMBER 15, 1924

- Registration—Roof garden.  
10:00 A.M.—Meeting of council.  
3:00 P.M.—Meeting of members of examining boards.  
4:00 P.M.—Meeting of trustees, American Institute of Accountants Foundation.

#### TUESDAY, SEPTEMBER 16, 1924

- 10:00 A.M.—Opening session.  
Invocation by Rev. Edmund Duckworth of St. Louis, who opened the congress of accountants held at St. Louis, Missouri, in 1904.  
Address of welcome by Mayor Kiel of St. Louis.  
Reports of officers and committees.  
Business session.  
2:00 P.M.—*The value of public accountants to financial institutions.* Festus J. Wade, president, Mercantile Trust Company, St. Louis.  
Comments by Walter W. Head, president, American Bankers' Association.

#### Discussions:

A conference between clients and auditors in settlement of a corporation balance-sheet.

#### Clients

G. A. Myles  
Edward Fraser  
F. A. Wright

#### Auditors

J. J. Lang  
H. L. Oppenheimer

*Inventories, with particular reference to goods in transit and cash discount.*

Led by Frank C. Belser.

#### Business session.

- 5:00 P.M.—Meeting of the American Institute of Accountants Foundation.

#### WEDNESDAY, SEPTEMBER 17, 1924

- 9:30 A.M.—Election of officers.

#### Discussions:

*The fetish of the calendar year as a fiscal year.* Led by Gladstone Cherry.

*Tax appeals.* Led by C. D. Hamel, chair-

man, United States board of tax appeals.

*No-par-value stock—capital stock and surplus.* Led by Victor H. Stempf and F. H. Hurdman.

#### Business session.

- 2:00 P.M.—Discussions—

*University accounting courses.* Led by ex-Governor Herbert S. Hadley, chancellor of Washington university, and Professor J. O. McKinsey, university of Chicago.

Bureau of public affairs—report and suggestions. Led by Homer S. Pace. Comments by William Palmer Clarkson, president of St. Louis chamber of commerce, and C. Saville of Dallas chamber of commerce.

#### Business session.

#### THURSDAY, SEPTEMBER 18, 1924

- 9:30 A.M.—Meeting of council.

#### PROGRAMME OF ENTERTAINMENT

##### MONDAY, SEPTEMBER 15, 1924

- 12:30 P.M.—Luncheon at Chase hotel for officers and members of council.  
7:00 P.M.—Racquet club—swimming pool and dinner for those not attending theatre party.  
8:00 P.M.—Theatre party at the West End Lyric, Tivoli, Missouri or Orpheum Theatre.

##### TUESDAY, SEPTEMBER 16, 1924

- 10:00 A.M.—Sightseeing automobile tour of St. Louis or trip to shopping section for the ladies; also a visit to Shaw's garden and the zoo in Forest Park. Returning to the hotel at 12:00 noon. (If some of the ladies prefer to go shopping, arrangements for luncheon will be made at the City club.)  
12:30 P.M.—General luncheon for ladies and members of Institute, roof garden, Chase hotel. Guests of Missouri C. P. A. Society.  
2:30 P.M.—A drive to the country club and afternoon tea for the ladies.  
8:00 P.M.—Theatre party—at the Pershing or Orpheum theatre.

## *Bulletin of American Institute of Accountants*

WEDNESDAY, SEPTEMBER 17, 1924

- 11:30 A.M.—Drive to Bellerive country club and luncheon for the ladies. Bridge, mah jong or golf.  
12:30 P.M.—Luncheon, roof garden, Chase hotel.  
7:00 P.M.—Banquet, Chase hotel—east ballroom.  
Toastmaster—E. E. Gore, retiring president.  
Speakers:  
The new president of the Institute.  
Representatives of Canadian and British societies.

Governor Hyde of Missouri.

Entertainers:

- Jack Ryan, raconteur.  
Presentations and song for the class of 1904.  
Ballroom dancers.  
Dancing.

THURSDAY, SEPTEMBER 18, 1924

- 1:00 P.M.—Golf at country club. (Club to be selected by members.)  
Baseball game, St. Louis Browns vs. New York Yankees.

### REGIONAL MEETING

The next regional meeting of the members of the Institute in the district comprising Indiana, Ohio, West Virginia, western New York and western Pennsylvania will

be held in Toledo, Ohio, on November 22, 1924. Arrangements are now in progress and a list of subjects and speakers will soon be announced.

### INSTITUTE CHAPTERS

#### **Northern Ohio Chapter, American Institute of Accountants**

Pursuant to a call on July 9, 1924, the Northern Ohio chapter met at the Portage country club, Akron, Ohio at 7 P. M., where dinner was served.

The dinner was preceded by an afternoon of golf enjoyed by the members as guests of Arthur E. Chandler, Floyd Chilton and Howard E. Murray. Following the dinner the president called the meeting to order.

The minutes of the meeting held April 26, 1924 were read and approved. Announcement was made that the chapter now has forty-six members.

Arthur E. Chandler announced that the Ohio Society of Bank Auditors has invited the chapter to furnish a speaker to address its annual meeting at Toledo in October.

There was discussion as to the advisability of having the chapter use various methods to obtain publicity. Without tak-

ing any action it was apparent that the meeting was not in favor of such procedure. It was resolved that the president appoint a committee for the purpose of preparing a pamphlet containing a classified roster of chapter members and information concerning the Institute and chapter. The chair appointed Carl H. Nau, chairman, Robert A. Hurst and Lewis Wintermute.

It was resolved that the secretary be instructed to request the committee on public affairs of the Institute to furnish an outline of matters that might be used as the bases of addresses and talks by chapter members to inform the public of the Institute.

It was resolved that the secretary be instructed to advise the secretary of the Institute of information that had been received regarding certain proposals relative to practice before the treasury department and the board of tax appeals.

### COMMITTEE ACTIVITIES

#### **Committee on Public Affairs**

Members and associates of the Institute have received a letter from the special committee on public affairs setting forth the committee's financial situation and its requirements for the fiscal year beginning September 1, 1924.

It is important that every member and associate should respond immediately to the committee's letter of August 29th, so that the committee may have in mind at the time of the annual meeting, September 15-18, the sentiment of the membership at large with respect to the desirability of con-

tinuing to publish and distribute its letter-bulletin, and of performing other public services that it has in mind.

Much favorable comment has been made by business men as well as by members and associates of the Institute on letter-bulletin 2 issued by the committee on public affairs on *The Crime Tendency*. As the distribution of this document continues—it has now passed the 70,000 mark, necessitating the printing of a second edition—it becomes more and more evident that the business world regards this as a constructive bit of work in combating the crime tendency. The purposes for which letter-bulletin 2 was issued were to call the attention of the business world to the rising tide of office and financial crimes and to suggest remedies, from the viewpoint not only of accountants, but also of bankers, credit-men and fidelity companies as well. It is the desire to place a copy of letter-bulletin 2 in the hands of every responsible business man.

Many chambers of commerce and other organizations have expressed their intention of discussing the subject matter of this letter-bulletin at open forum and committee meetings this fall. Members and associates of the Institute will, in many instances, be called on to help in this work.

G. Harvey Porter, of Baltimore, an associate of the Institute, has been asked by the Association of Commerce of that city to take the chairmanship of a special committee to study financial and office crimes in Baltimore and to report on them. A fidelity company in Baltimore has taken 7,500 copies of letter-bulletin 2 to send to its agents and policyholders for their instruction. Other fidelity companies have taken large quantities.

James E. Baum, manager of the protective department of the American Bankers' Association, writes:

"It is a noteworthy document. It is gratifying, indeed, to note that the American Institute of Accountants has taken this opportunity of giving much-needed publicity to this subject, which I am frank to say, has been one of the greatest barriers confronting our orderly system of society."

The Electrical Credit Association, central division, had asked for five copies of letter-bulletin 2, but when its members began writing for copies of the document, the association in question rushed in a request for a large supply and stated that it would direct other inquirers to the Institute.

Gustav R. Stahl, executive secretary of the National Bureau of Economic Research, writes:

"You are doing a very important work, and I shall be very glad to assist you in any way within my power."

The Fidelity and Casualty Company of New York, besides ordering a supply of the letter-bulletins for distribution, asked permission to quote from it in its monthly house-organ.

The National Retail Furniture Association asked for fifty copies of the bulletin and wrote that in its next communication to its members it will call attention to the document and recommend a study of it.

*The American Hatter's* managing editor writes that he wishes to reprint all, or part, of letter-bulletin 2 in his October issue, giving credit to the American Institute of Accountants.

Individual business firms throughout the country are writing in for copies of letter-bulletin 2, having heard of it through their trade organizations and other channels.

David Berdon, an Institute member in New York, besides supplying all the members of his staff with copies of the letter-bulletin, is communicating with several periodicals for which he has written articles, suggesting to them the value of a review of the subject matter contained in the publication. He writes, in part:

"We feel that this work should not only prove of real public service, but should also be of considerable value to the accounting profession itself."

Edwin H. Wagner of St. Louis, an Institute member, was asked to attend a conference called by the Missouri bar association on crimes, criminal law and procedure as a representative of the Institute, following the publication of the bulletin.

Rupert W. Jaques, an Institute member of Lynn, Massachusetts, discussed with the minister of his church the suggestion that a sermon be preached on the crime tendency, based on the facts presented in letter-bulletin 2. Mr. Jaques also suggested that this matter be called to the attention of the clergy of all denominations. While this committee, as such, has made no approach to the clergy, the suggestion is made that members and associates, who desire to do so, call the attention of their pastors to letter-bulletin 2. Sunday-school associa-



tions and other religious organizations might also be interested.

The Merchants Association of New York has obtained copies of letter-bulletin 2 for two of its committees which have been asked to give consideration to various phases of the crime tendency presented in this publication.

The New Orleans Association of Commerce referred the letter-bulletin to the New Orleans crime commission and has offered that commission assistance through the division of accountants of the Association of Commerce.

The Birmingham (Alabama) and the Wilmington (Delaware) chambers of commerce are referring letter-bulletin 2 to their boards of directors.

The Massachusetts state chamber of commerce requested sufficient copies of letter-bulletin 2 for its directors and suggested that copies be sent to other organizations in that state.

The executive committee of the Washington, D. C., board of trade studied letter-bulletin 2 and referred it to its committee on law.

The Evansville, Indiana, Chamber of Commerce is printing a review of this bulletin in its official publication.

The Fort Wayne, Indiana, Chamber of Commerce referred letter-bulletin 2 to its legislative and taxation committee and expects a special committee to be appointed to give the subject detailed study.

The Cleveland Chamber of Commerce referred the matter to the Cleveland Association for Criminal Justice.

The St. Louis, Missouri, Chamber of Commerce is working in conjunction with the Missouri bar association, to which it has referred letter-bulletin 2.

The Lake Charles Association of Commerce of Louisiana sent copies of letter-bulletin 2 to all its members.

The Scranton, Penna., Chamber of Commerce requested extra copies of letter-bulletin 2 for its civic bureau and for its better business bureau.

The Denver Chamber of Commerce referred the matter to its committee on criminal procedure.

The Malden Chamber of Commerce presented the matter to its directors and expects to appoint a special committee to study the subject.

The Great Falls, Montana, commercial club sent a list of the persons to whom it requested that copies of the letter-bulletin be sent.

The Des Moines, Iowa, Chamber of Commerce requested extra copies to be sent to its directors.

The Kansas City, Missouri, Chamber of Commerce referred the committee on public affairs to its crime committee.

The San Francisco Chamber of Commerce requested 500 copies of letter-bulletin 2 for distribution to its members.

In response to a number of inquiries from members as to the character of distribution which may be given letter-bulletin 2, reference has been made to rule 11 of the rules of professional conduct approved by the Institute, which permits the dissemination of impersonal information by members and associates of the Institute to their clients and personal associates.

Members and associates of the Institute will find much to do in their home communities this fall on the subject of commercial arbitration, as a result of the presentation of the facts set forth in letter-bulletin 1 published in May by this committee. Chambers of commerce and other organizations are planning educational and legislative campaigns on that subject in which accountants may be of great assistance.

The Arbitration Society of America writes that three members and associates of the Institute have taken out membership in that society as a result of the announcement contained in letter-bulletin 2 concerning the special professional membership.

J. P. Goddard of Salt Lake City has taken up with the Utah Associated Industries the matter of appointing a Utah court of arbitration.

## **BOARD OF TAX APPEALS**

Several members have drawn attention to a questionnaire which has been circulated by the Kansas City Chapter of the Missouri Society of Certified Public Accountants. This questionnaire states that

the Institute has protested against the rule of the board of tax appeals restricting practice before the board to members of the bar and to holders of certified public accountant certificates.

In view of the misunderstanding which has been caused in some quarters by this questionnaire, it is necessary to point out that the Institute has not protested against proper restriction of practice, but has endeavored to convince the board of tax appeals that all members of the Institute should be admitted to practice. There are many members and associates of the Institute who are not attorneys and are not certified public accountants, and it is in their behalf that the suggestion has been made to the board that the list of eligible practitioners should be extended to include all members of the Institute.

The committee on public affairs has been sounding the sentiment of the business public throughout the country on the question of the independence of the new board of tax appeals. Fears have been expressed that, on account of the nature of the appointments made to the board, it would become a part of the treasury department instead of the independent body intended by the framers of the law.

Many expressions of opinion have been received. In the issue of *Commerce and Finance* of July 30, appear the following paragraphs:

"Unfortunately the manner in which the new board is being launched is dashing the enthusiasm of some of the organizations whose efforts helped put provision for it in the new law. A great many of the accountants and tax attorneys who practise before the income-tax unit have been active in insisting that the board should be completely free from domination by the bureau of internal revenue. They have found fault with the existing committee on appeals and review for being too "technical minded," with the result that its decisions have been frequently overturned in the courts, but only at the expenditure of much time and money by taxpayers. They expected that the board would be composed in large measure of business men and accountants, with several engineers and not too large a proportion of lawyers. They hoped that President Coolidge would attach sufficient importance to the appointments to supervise them closely themselves.

Thus far these expectations have not been realized. By common report the appointments have been entrusted to a deputy commissioner of internal revenue and at least some of the twelve which have been made are not considered up to the standard which the accountants hoped for."

The *Atlanta Journal* of August 11, 1924, commenting on the situation, said:

"If the federal board of tax appeals provided for in the revenue act of 1924 is to serve the purpose intended by congress, its personnel

must include men who can see matters from the standpoint of a citizen as well as from that of a treasury department official and who will be more concerned with substantial justice than with finespun technicalities. The object of the board is to hear and determine appeals from rulings of internal-revenue authorities on questions concerning the income tax, the estate tax and the one-time profit tax. Obviously the minds of those to whom such issues are taken for review should be unprejudiced, and also should be conversant enough with the general interests of business, as distinguished from the rigid details of official routine, to understand and fairly to assess the merits of the many different sorts of claims brought before them.

It seems, however, that the appointments to the board thus far do not hew to this principle as thoroughly as the public could desire. Of the twelve members who have been named, at least five are said to be more adept in red tape than in equity. Sixteen of the twenty-eight places are yet to be filled and all are yet to be confirmed by the senate. Most timely, therefore, is the suggestion of the *Dallas Times-Herald* that 'every man interested in the payment of an income tax should insist that these appointments be made by the president directly and not through the medium of subordinates in the treasury department'; and that 'on this board there should be a fair proportion of capable accountants, some business men and at least two or three engineers—the first and third for their special knowledge, the second because they will not be blinded by the letter of the law as to fail to perceive the spirit of the law.'

Competent lawyers, broad-minded men of affairs, able engineers and certified public accountants are well qualified groups from which to make up the board of tax appeals. The accountants, it is plain, can be of special service because of their extensive experience in recent years, both within and without the treasury department, in the administration of the income and the profits-tax law. Above all, the appointees should be men liberal enough to be interested in seeing that justice is done rather than extorting the pound of flesh."

The *Omaha World-Herald*, under date of August 8, said in part:

"Because it was felt that a board made up of treasury employees would naturally lean to the government side of any contention, a provision that its membership be drawn from the treasury was stricken from the bill. However, the president, in his first batch of twelve appointments, chose five of them from the treasury department. It is also objected that there is a tendency to overload the board with lawyers, ten of the twelve being members of that profession, one being a newspaper man and one a public accountant. Accountants who have specialized in tax matters feel that there should be a larger proportion of such experts on the board.

Another source of complaint comes from inferences drawn from the address of Under-Secretary Winston to the new board that it is looked upon in the light of an assistant to the treasury in the collection of back taxes. Be-

cause the collection of back taxes has fallen off considerably he urged the board to act with 'promptness and fairness to the government.' As we conceive the duty of the board it is to act with promptness and fairness not only to the government but to the taxpayer as well."

The *Morning Oregonian*, of Portland, Oregon, under date of August 8, printed an appeal for a balanced board, saying that the duties devolving upon the first board of tax appeals render imperative the selection of men who would strike a just balance between the government, which seeks to collect all the revenue the law permits, and the taxpayer, who desires to avoid both what he considers over-taxation and such rates and adjustment as would injure his business.

The *Sacramento Bee*, under date of August 4, printed an editorial headed *Uncle Sam Must be Fair to Income-Tax Payers*, in which it recounted the abolition of the departmental committee for review of tax cases and pointed out that the thought behind the 1924 legislation was that a board entirely independent of every other branch of the government should be set up for the review of tax cases. It called on the government to set an example of righteousness and fair dealing with regard to tax matters.

The *Columbia State* of Columbia, S. C. printed an editorial on July 28, in which it said:

"The public doing business with the treasury and having thousands of appeals against its auto-

cratic mandates protested against the secretary having his own board of appeals."

Other editorials appeared in the *Cleveland Plain-Dealer*, the *St. Louis Globe-Democrat*, the *New York Times*, the *St. Paul Pioneer Press*, the *Dallas Times-Herald* and the *Seattle Times*. Space does not permit mention of all the newspapers which have printed comments on this situation or the presentation of their points of view.

Several members of the Institute have written letters to the newspapers in their cities setting forth their views of the personnel of the new board of tax appeals and of the rules adopted for practice before this board.

The services of the Institute were offered by its president to President Coolidge in securing highly qualified men for service on the board of tax appeals. This offer was accompanied by a statement that the Institute has no candidates of its own. Therefore the Institute is utterly disinterested and seeks only to perform a public service. The communication pointed out to President Coolidge that the Institute's officers believe that there are among the practising accountants of the country men who will be found willing to sacrifice their personal interests and out of a patriotic sense of duty undertake the work imposed by the law on the board of tax appeals.

There are sixteen appointments yet to be made to the board of tax appeals.

## NEWS OF STATE BOARDS OF ACCOUNTANCY

### California

The state board of accountancy of California has announced the following list of names of candidates recently admitted to practise as certified public accountants: E. M. Berger, Henry J. Bru, Harold A. Bunn, James E. Butler, Edwin B. Cassidy, C. D. Chase, O. F. Clayton, A. R. Cooper, C. J. J. Cox, A. E. Hawkins, Warren P. Hill, F. C. Hitchcock, Hubert E. Hood, J. J. Jacobus, Perry R. Marshall, John B. Washburn, H. I. Weiner and M. D. Wilson. Reciprocity certificates were issued at the same time to: Charles M. Burlingame, Leonard S. Davey, E. T. Garrett, Raymond P. Hasenauer, George R. Keast, F. W. Kilduff, H. Kroehl, C. P. Lee, William C. Lough-

bom, Mahlon W. Mattison, I. G. Pattinson, William P. Quinn, Henry W. Ragland, C. C. Stout, L. S. Timpson and S. S. Webster, Jr.

### Colorado

The state board of accountancy of Colorado has announced the following list of successful candidates, to whom certificates were recently issued: H. C. Anderson, Arthur L. Baldwin, Raymond Everett Barth, E. C. Bartow, M. C. Calhoun, A. D. Lewis, George W. Maynard, John Wesley Reed, William E. Taylor, W. M. Trant and Donald D. Wilfley.

### Idaho

The commissioner of law enforcement of Idaho advises that F. A. Freeland success-

fully passed the May, 1924 examination of the examining board of that state.

### **Illinois**

Following is a list of the fifty-nine successful candidates who passed the Illinois certified public accountant examination in May, 1924: Gustaf A. Alsterlund, Francis Merrill Beatty, Emil Frederick Bohne, William Thomas Brennen, Joseph Charles Bronars, Daniel A. Brophy, Patrick Joseph Carter, Nat J. Cogen, Ned Hall Connelly, Joseph Edward Cookson, Harry M. Couch, Nelson G. Gulp, John Frank Danielson, Marion Ross Davis, Harold DeBaun, Ralph Parsons DeSwarte, Ray Robinson Dobson, Alexander Eulenberg, Harold Baker Eversole, Lurton Eugene Felton, Aubrey Cleveland Flood, Edward Mern Foster, Carl Arvid Fryxell, Willis Donald Gale, Alexander R. Grant, William Putnam Hauworth, Herbert Oswald Hincks, Reinhardt George Jahn, John Walter Jolly, Warren H. Keller, Vincent Michael Kelly, Willard W. Kelsey, Arthur Lincicome, Rubert John Lindquist, John M. Mader, Chris Moore Martin, John Victor McGovern, John Jay McKeague, Ben Stanton Naven, William Otto Olson, Edwin Charles Owens, James Leonard Penny, William Pesmen, Weldon Powell, William A. Romanek, Dillon Lewis Ross, Jr., Samuel Rottman, Abraham Harry Ruseman, Joseph Ronald Schulz, Paul Dorette Seghers, Daniel Edward Sheehan, LaVerne Jay Smith, Russell Claude Swope, Paul Canaday Taylor, William Lawther Vernon, Cyril Amberg Ward, John Phelps Williams, Frederick Charles Yanowsky, Frank Joseph Zink.

### **Kansas**

The secretary of the Kansas state C. P. A. board announces that the following eight candidates have recently received certificates after passing examinations: J. K. Brelsford, Walter R. Burdge, F. A. McCoy, L. N. Moffet, Philip M. Oviatt, Carl Pettijohn, W. E. Swenson and H. N. Welles.

### **Louisiana**

The state board of accountants in Louisiana reports that the board has granted certificates, as a result of the May, 1924, examinations, to the following candidates: R. B. Cato, New Orleans; L. J. Lampton, New Orleans; F. P. Ganucheau, New Orleans; R. B. Hawthorn, Jackson, Mississippi.

The new state board of accountancy in Louisiana has been appointed and consists of the following members: Emile Bienvenue, R. J. LeGardeur, Archie M. Smith and Charles E. Wermuth, all of New Orleans, and H. M. Schneider of Shreveport. Organization has not yet taken place.

### **Michigan**

On August 22, 1924, the Michigan board granted C. P. A. certificates to the following successful candidates: Albert C. Cain, Alvin J. Carew, Vernon G. Dickey, Kenneth J. MacDonald, Louis P. Miller, William J. Simpson, Axel S. Soderman and Miles L. Wyman.

### **Minnesota**

The Minnesota state board of accountancy issued certificates, under date of July 18, 1924, to the following candidates: J. Irl Beatty, Minneapolis; John Hurlie Cooper, St. Paul; Arden O. Grover, Duluth; Arthur B. Poole, St. Paul; George P. Schmal, Minneapolis.

### **Missouri**

The state board of accountancy of Missouri reports the following list of certified public accountants to whom certificates have been recently issued: Alfred Lester Adams, Thomas W. Burman, A. C. Derrick, S. F. Glass, Lester Hutchings, J. Y. McManus, J. J. Martin, Leslie J. Meyer, William Milligan, Arthur L. Ross and L. W. Tracy.

### **Nebraska**

The secretary of the state board of accountancy of Nebraska announces that Raymond Hobson Walker of Lincoln was successful in passing the May, 1924, examinations in that state.

### **South Dakota**

Following are the names of persons who received C. P. A. certificates from the South Dakota state board of accountancy, covering the period from September 30, 1918, to June 16, 1924: George A. Anderson, T. G. Councilor, C. C. Crandall, F. W. Kirtland, George S. Nickey and Frank L. Pollard.

### **Utah**

J. T. Hammond, director of the department of registration of the state of Utah, announces the names of accountants who were certified at the last examination in

Utah to be as follows: C. Preston Allen, Salt Lake City; Joseph R. Matson, Salt Lake City; Romelyn Warburton, Tooele.

### **District of Columbia**

Following is a list of the candidates in the District of Columbia to whom the board of that district issued certified public accountant certificates up to and including August 11, 1924: Chauncey B. Adams, George D. Bailey, James S. Ball, John Edward Bates, L. W. Blyth, William Gordon Buchanan, William Clabaugh, Ernest E. Clifford, Clarence R. Cranmer, Charles Vaughan Darby, John Wordsworth Dawson, Jean Paul Muller d'Euxst, Alwin Charles Ernst, Forest Hamilton Figsby,

Raymond Morris Florance, Alfred Henry Gilbert, Fenton Lewis Gilbert, James Benjamin Grice, Wilbur Lake Harrison, Francis P. Heartsill, George Roscoe Keast, Wayne Kendrick, A. F. Lafrentz, Ferdinand W. Lafrentz, S. F. Levy, E. G. Lorenz, Frank Lowson, William M. Lybrand, Lawrence O. Manley, Horace Manning, Ross F. Marburger, John J. Miller, R. H. Montgomery, J. Henry Oehmann, Frank Wasson Pendexter, Russell G. Rankin, Harry Clark Royal, Henry P. Seidmann, John H. Simon, Robert Hamilton Smith, Walter A. Staub, Edward Moon Tylor, Emanuel H. Waldecker, George Ralph Weitzel, William L. Yaeger and William L. Yaeger, Jr.

## **NEWS OF LOCAL SOCIETIES**

### **Kentucky Institute of Accountants**

On December 23, 1905, the Kentucky Society of Public Accountants was organized, the membership consisting of fellows and associates of the American Association.

Later when the American Institute came into existence, the Kentucky membership organized the Kentucky Institute of Accountants, the name in keeping with the parent body, the membership consisting of two classes—members and associates.

Members—members of American Institute.

Associates—

- (a) Practising accountants of five or more years on their own account in Kentucky.
- (b) Juniors of one or more years in the office of a member.

This organization was perfected in June, 1917, and on this date has a membership of thirteen members and twenty associates.

This Institute has been in a manner like a chapter. At its meeting on August 5th it was proposed that it apply for a charter as a chapter of the American Institute but a difficulty was found because of the twenty associates, who are not associates of the American Institute.

It was decided that the members make application for a chapter and both organizations be held intact, the Kentucky Institute being a "feeder" for the Kentucky chapter.

Following is a list of the new officers of the Kentucky Institute of Accountants for the year 1924-1925: Charles G. Harris, president, W. S. Parker, vice-president, George S. Meldrum, treasurer, Orville D. Harris, secretary and board of trustees: L. C. Barnett, James S. Escott and L. Tip-ton Young.

### **The Washington Society of Certified Public Accountants**

The Washington society of certified public accountants entertained the field section of the review division of the solicitor's office of the bureau of internal revenue (formerly the committee on appeals and review), holding sessions in Seattle, at a luncheon meeting at the Rainier club on Friday, August 15, 1924. R. D. White welcomed the guests on behalf of the Washington society and responses were made by James W. Mudge, chairman, and W. H. Lawder, Frank D. Strader and Lawrence Graves, members of the committee.

At the annual meeting of the society held on August 30th, James M. McConahey was re-elected president. The other officers elected were as follows: Charles S. Cowan, vice-president; P. C. Davis, secretary-treasurer; A. G. Elder, director. The board of directors is composed of these officers and A. S. Hansen. R. C. Mounsey was elected auditor.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Federal

*Penrose v. Skinner*, collector of internal revenue, was decided on August 14, 1923, in the district court, D. Colorado. The full text of the decision follows:

KENNEDY, district judge. This is an action in which the plaintiff seeks to recover a tax paid to the collector of internal revenue for the district of Colorado under a protest made at the time of payment. An amended answer was filed to the amended complaint in the cause, which answer has been attacked by general demurrer, and in this form the matter is now before this court.

It appears from the allegations of the amended complaint that in 1914 the plaintiff, within the time provided by law, filed with the defendant his income-tax return for the year 1913, and paid the defendant the tax such return purported to show due and owing for the latter year. An investigation was subsequently made by an agent of the revenue department, and as a result, through the action of the commissioner, an additional tax was demanded of the plaintiff in a sum exceeding \$12,000. Subsequently the plaintiff filed with the department his claim for abatement of the increased tax, which claim, after being further considered by the commissioner, was allowed, and the additional tax abated. This action was taken on or about the month of March, 1916, and during the incumbency of Commissioner Osborn. Thereafter his successor, Commissioner Roper, reassessed said tax against the plaintiff. A claim for abatement applied for was denied, and in complying with the ruling of the commissioner, in order to avoid the payment of a penalty threatened to be assessed, he paid the additional tax under protest, and plaintiff now seeks to recover the additional tax so assessed and paid.

The answer of the defendant admits substantially all the steps alleged to have been taken in connection with the additional tax, but denies that the decision of Commissioner Osborn in originally abating the additional tax was based upon the question as to what is now claimed to be the merits of the controversy; that is, as to whether certain losses in handling stocks by plaintiff were actually incurred and properly assigned for losses during the year 1913.

The gist of the matter before this court, therefore, as affected by the demurrer now being considered, is as to whether or not there was such a determination by Commissioner Osborn of the matter of his abatement of the tax as to make the matter res adjudicata.

[1] If it may be determined upon the face of the pleadings that there was an adjudication of the matter upon its merits by Commissioner Osborn, in the absence of fraud or mistake, this court is without jurisdiction to go into the matter now, as the supreme court has held that, under the circumstances outlined, the action of a department head, which is founded upon the facts touching the controversy presented to it, is final. In the case of *United States v. Kaufman*, 96 U. S. 567, at page 570 (24 L. Ed. 792), the court say:

"These facts are, in effect, that the claimant, who was a brewer, on the 3d day of May, 1873, paid to the internal revenue collector of his district \$100, as the special tax on his business for one year, from May 1, 1873, to April 30, 1874, for which a special tax stamp was given him by the collector; that, May 6, 1874, he applied to the commissioner of internal revenue to refund \$50 of this amount, as he had only manufactured 350 barrels during the year; that evidence in support of this application was submitted, and the commissioner on the 5th of July, 1874, certified to the comptroller of the treasury that the claimant had returned to him an internal revenue special tax stamp of the face value of \$50, for which he was entitled to have refunded him \$47.50; and that on the same day the commissioner notified the claimant of the allowance of his claim to that amount, for which a certificate had been lodged with the comptroller of the treasury.

"It is now insisted that the finding of an allowance by the commissioner is not enough, and that the court should have gone behind the allowance, and found the facts in respect to the original claim. Such, we think, is not the law. To say the least, the allowance of a claim under this statute is equivalent to an account stated between private parties, which is good until impeached for fraud or mistake. It is not the allowance of an ordinary claim against the government, by an ordinary accounting officer, but the adjudication by the first tribunal to which the matter must by law be submitted. Until so submitted, and until so adjudicated, there is not even a prima facie liability of the government; but when submitted, and when allowed upon the adjudication, the liability is complete until in some appropriate form it is impeached. When, therefore, the court found the adjudication against the government, without impeachment, the liability to pay was established."

The decision in the case at bar rests upon what view the court takes as to one particular angle of the controversy. It is the claim of the defendant that the original finding of Commissioner Osborn was based solely upon a hearing in which it was sought to be determined whether or not the plaintiff was, at the time of the alleged losses for which he claimed credit, engaged as a licensed broker or member of a stock exchange, so as, under a rule of the department, to be entitled to receive credit for the losses. While it is the contention of the plaintiff that the hearing upon the abatement before Commissioner Osborn, and the evidence there submitted were upon the merits of the controversy, and as to whether or not the losses in stocks were actually sustained by the plaintiff, and properly included for the year to which they were allocated by the commissioner, if a ruling is to be reached sustaining the demurrer, it must be found from the pleadings that there was a determination by Commissioner Osborn, based upon the evidence before him, fixing the actual losses in stocks, and allowing them to plaintiff as losses incurred during the year 1913.

[2] The subsequent action of Commissioner Roper in reopening the matter and compelling plaintiff to pay the tax has little to do with the controversy here, as I think no one will contend that a succeeding commissioner could overrule or ignore the decisions of his predecessor, unless such decision were in law erroneous or tainted with fraud. Any other conclusion would bring chaos in governmental administration and cause untold annoyance to our citizens.

[3] Under the practice in the courts of the state of Colorado, where this cause arises, the exhibits attached to a complaint, and therein referred to, become a part of the pleading and must be considered as such. It affirmatively appears that by exhibit B-1 attached to the petition that the so-called losses were originally disallowed by Commissioner Osborn. Such disallowance was upon the ground that the plaintiff was not a member of a stock exchange and did not buy and sell securities for others as well as himself, as the language in this document reads as follows:

"As Mr. Penrose is not a member of a stock exchange, and does not buy and sell securities

for others as well as for himself, these losses have been disallowed, not having been incurred in trade, in accordance with treasury decision 2005."

After this it is shown by exhibit D that the plaintiff applied for a remission of the taxes, in which he sets forth that he has suffered the losses and should be entitled to a deduction from his income for the year 1913. By exhibit E it appears that the defendant, under instruction from the commissioner, called for additional evidence supporting plaintiff's claim for abatement, which demand is in the following language:

"The loss that may have been sustained appears to have been sustained entirely upon the stock holdings, and it is the desire of this office that *the actual loss of the stock*, not based on par or market value, be determined, in order that the proportionate part thereof *applicable to the year 1913* may be allowed."

In response to this request the plaintiff furnished the department with a detailed report and evidence of the losses sustained in stocks for the year 1913, which seems to me to have no other significance than that of showing the handling of the stock, with a view of determining the losses sustained, without regard to the matter of whether the plaintiff was a licensed broker, or as to whether or not the losses were incurred "in trade" under the treasury ruling.

I find nothing in the request by the commissioner for further evidence supporting the claim for abatement or in the evidence so furnished, which tends to show that the commissioner was demanding or receiving evidence touching the point as to whether the plaintiff was a licensed broker, and therefore sustained a loss within the so-called "in trade" clause of the revenue act, but both the demand and the evidence are directed to the actual loss and when sustained. At any rate, the theory of the department that losses, to be allowable, must have been incurred while the claimant was a member of a stock exchange, and unless so incurred was not incurred "in trade," within the meaning of the law, has been exploded by the courts. *Bryce v. Keith* (D. C.) 257 Fed. 133. Yet the demands of the commissioner upon the plaintiff subsequently made were based solely upon this theory, as particularly shown by exhibit H-1 attached to the complaint.

This feature of the controversy, however, may be said to be of no controlling influ-

ence in this hearing, as a decision must rest upon what the record shows was before Commissioner Osborn at the time he allowed the abatement of taxes, as based upon the alleged losses sustained by plaintiff, and fixing them as applicable to the year 1913. As all the different steps on the part of the plaintiff and the commissioner in controversy are admitted by the defendant's answer, as well as the exhibits which were in evidence before the commissioner at the time of the abatement heretofore allowed, and the act of abatement, the cause is as fully before the court for determination as if a trial were had and the exhibits introduced in evidence.

For the reasons stated, the demurrer to defendant's amended answer will be sustained, reserving to defendant his proper exceptions in the premises.

### **Alabama**

*Hooper v. Reed* was an equity bill for an accounting and redemption, decided in the supreme court of Alabama on June 12, 1924. Of special interest to accountants was the following summary:

Where A. contracted to sell land to B., who made part payment with money borrowed from C., causing A. to convey to C., by absolute deed, in fact a mortgage, to secure loan, A. orally assigning equity of redemption to B., a bill by A. and B. against C. for accounting and redemption, held not demurrable as multifarious, since both parties had an interest in the property, and the equities could be developed on trial.

Where vendor and purchaser filed bill for accounting and to redeem against vendor's mortgagee, that bill contained joint prayer for decree in favor of vendor foreclosing his vendor's lien against co-complainant, held not to render bill multifarious, as prayer could be treated as surplusage.

The defect, in a bill against grantee in deed for accounting and to redeem on theory that deed was mortgage, that it failed to show sufficiently that all parties intended deed to operate as mortgage, must be pointed out by special demurrer, or the court will not be put in error.

### **Arkansas**

A rather unusual state income-tax decision was *Sims v. Weldon*, decided on June 16, 1924 in the supreme court of Arkansas, in which it was declared that

an act imposing a sales tax was not authorized by the governor's call for a special session to enact an income-tax law. The part of the decision on this point is as follows:

Now, in the proclamation before us for consideration, the governor merely specified the enactment of a "law imposing a tax on net incomes." It is thus seen that the scope of the legislation is the enactment of "a law imposing a tax on net incomes," and the passage of a law of a wholly different character does not fall within that specification. It is too obvious for controversy that an excise tax on the sales of merchandise of any kind is not "a tax on net incomes." Such a law has none of the elements of an income tax, and, on the contrary, the mere statement of the two characters of statutes show their dissimilarity. A sales tax is the antithesis of an income tax, for the former may be and generally is added to the price and thus passed on to the purchaser, whilst the latter must be paid by the one who earns the income, and it cannot be passed on to another. If it were merely stated in the call as one of the purposes of the session that a law should be passed raising additional revenue for a given purpose, then the legislature could adopt its own method in prescribing by statute the kind of tax to be adopted. But in the present case there is no designation of the ultimate purpose for which the tax is to be levied, and the sole guide in determining the purpose of the legislation is that it shall be an income tax; there are no other words of definition found in the call. Therefore we are concluded, we think, in determining the validity of the statute, by the fact that the governor called the session for the purpose of passing an income-tax law, and that this law does not fall within that class.

It is contended, however, that, while the proclamation does not mention the purposes to which the revenue to be raised must be devoted, we can look to the "history of the times" to ascertain that the purpose was to raise additional revenue for school purposes; that certain public acts and declarations made by the governor in public addresses and newspaper interviews, mass meetings held, and the appointment of committees show that there was a great public campaign made for the purpose of raising money for educational purposes, and that we can take notice of the fact that this movement prompted the governor to call the extraordinary session of the legislature; and that when we thus view the situation we should determine that the ultimate purpose of the tax was that it was to be used for school purposes. The governor specified, presumably, all that was in his mind at the time he issued the proclamation, and we are not at liberty to go back of that call to determine what purpose the taxation was intended for. The call was to pass an income-tax law, and the passage of such a law, regardless of the appropriation made of the revenues thus raised, would have been within the call, but any other kind of tax, regardless of the appropriation to any given use, was not within the call. The mental attitude of the governor as to his inten-



tion, not expressed in the proclamation, does not supply the specifications required by the constitution.

### Kansas

A recent decision to the effect that income taxes are operating expenses under a bonus contract was *Swaller v. Williamson Milling Company*, decided in the supreme court of Kansas on June 7, 1924. The action was by a former manager of a mill to recover his contractual percentage of earnings in the last year of his employment.

Four points brought out in the decision were:

(1) Federal income taxes were operating expenses.

(2) Items not involving expenditure within the fiscal year, such as depreciation in value of sacks and a tax suspense account, were not operating expenses for that year.

(3) The evidence considered, and held, an account stated for bonus for a series of years was not established.

(4) An account stated is only prima facie evidence that it is correct and may be corrected for error, omission or mistake, to effectuate intention to balance accounts.

In speaking of income taxes as operating expenses, the court said:

In revising the deductions from earnings, Ryker (auditor) allowed all taxes except the federal income-tax item of \$2,644.70. The referee and the district court took Ryker's view. This court recently held that income taxes are operating expenses for the purpose of determining reasonableness of a public utility rate. *State ex rel. v. Telephone Co.*, 115 Kan. 236, 223 Pac. 771. The court perceives no sound distinction between this charge on earnings and other taxes, as expenses of operation, and the deduction should have been allowed.

### Michigan

A recent Michigan decision of possible interest to accountants was *Epstein v. Mintz et al*, decided in the supreme court of Michigan on April 10, 1924. The part of the decision of interest to accountants is as follows:

Contract between parties for a division of a certain percentage of net profits to

plaintiff arising from the management and resale of certain business property purchased by defendant, under which defendant was to avail himself of plaintiff's experience in such matters in handling property and to take his advice as to the time when it would be most advantageous to resell the property, held not a contract in restraint upon defendant's power of alienation.

Plaintiff's delay of four and a half years to bring a suit to enforce an accounting of profits arising under a certain contract with defendant held not to bar plaintiff's cause of action, where the delay was short of the statute of limitations and where no inequity founded on some intermediate change of conditions arose.

### Montana

A recent western case involving an account stated was *Hough v. Rocky Mountain Fire Insurance Co.*, decided in the supreme court of Montana April 1, 1924:

An account stated is an agreement between the parties, either expressed or implied, that all the items are correct. It is unnecessary in an action on an account stated to prove the items in the alleged account, since the action is based upon the agreement, the consideration of which is the original account.

Where the insurer agreed to pay insured a sum agreed upon as the value of crops destroyed which were insured against loss by hail, an action on such agreement was not based upon the insurance policy, but upon the account stated, and the insured was not required to prove the nature of the debt or the items of loss.

In an action on an account stated for the destruction of crops insured against loss by hail, a denial on information and belief of the authority of a person to act as an agent and adjuster of insurer was insufficient to tender an issue, since whether the agent was authorized to act for insurer or not was a fact within its knowledge.

In an action to recover on an account stated, based on the adjustment of a loss under an insurance policy, an answer denying knowledge or information sufficient to form a belief as to whether or not insurer's agent had stated an account

with insured and therefore denying such fact was sufficient to tender an issue.

A recent supreme court decision in Montana, *State v. Cassill*, decided May 19, 1924, affirmed the fact that experts in bookkeeping are properly permitted to explain meaning of entries in bank ledgers. The judge stated as follows on this point:

Complaint is made because some of the state witnesses who were expert in accounting and bookkeeping were permitted to explain to the jury the meaning of various entries. The objection was that such statements were the conclusions of the witnesses. But we have found the explanations illuminative and useful, and have no doubt they served to enlighten the jury. There is no merit in the objection. *Silver v. Eakins*, 55 Mont, 210, 175 Pac. 876; *State v. Brady*, 100 Iowa, 191, 69 N. W. 290, 36 L. R. A. 693, 62 Am. St. Rep. 560.

### New Jersey

In *re Cooke's estate* was decided in the prerogative court of New Jersey on July 2, 1924:

Under orphans' court rule 21, actual or market value of securities listed in statement annexed to trustee's final account need not be stated.

Trustee's final account need not set forth method by which bond and mortgage listed in statement of assets was acquired, nor number of bonds and stocks held by trustee the value of which is given.

Under orphans' court rule 21, trustee must annex to final account statement of changes in securities since last preceding account and decree dismissing exception to account for non-compliance with rule is erroneous, as beneficiaries, had court directed trustee to comply, might address exceptions to irregularities appearing on such compliance.

Testimony offered on appeal as to matters outside exceptions to trustee's final account will not be considered.

On sustaining exceptions to final account for absence of statement of changes in securities since last preceding account, such statement may be filed, exceptions taken and hearing thereon had in prerogative court.

Exceptions to final account for omission of statement of changes in securities since last preceding account having been sustained, question of accountant's right to commissions, counsel fees, etc., cannot be

decided until filing of such statement in prerogative court and latter's decision on exceptions thereto.

### Oregon

*Carrey v. Haun et al* was a suit for an accounting and winding up of the affairs of a partnership. It was decided in the supreme court of Oregon on July 1, 1924:

A partner was not entitled to an accounting as of date he was excluded from control of property where he then took no steps to dissolve partnership and obtain an accounting and is liable for his share of loss subsequently occurring.

Suit by one partner for an accounting is sufficient notice of intention to dissolve firm.

In action for accounting, note executed by plaintiff to one of defendants could not, strictly speaking, be set up as a counterclaim.

A partner has the right at any time, at his own pleasure and without any cause, to dissolve the partnership, in absence of restriction in partnership contract.

Regardless of when partnership was dissolved, it remained in force for purpose of winding up its affairs, and partners were liable pro tanto for loss occurring pending litigation for accounting.

Partners keeping principal accounts of firm owned the duty, in action for accounting, to make a clear statement of their transactions affecting the firm.

Statement of affairs of firm, compiled by an expert accountant from books and papers, was competent.

### South Carolina

The definition of an account stated was given as one which the debtor accepts as correct in *Rhodus v. Goins*, decided in the supreme court of South Carolina on June 24, 1924. A part of the judge's decision is as follows:

The respondent relies on what he claimed was an account stated. An "account stated" is one that the debtor accepts as being correct and agrees to it being correct. In this case the evidence does not satisfy us that the appellant accepted the statement of the respondent's account as being correct.

### Tennessee

A Tennessee case of recent date, involving a foreign corporation's compli-

ance with the blue-sky law of that state when dealing in mortgage loans therein, was *Reed v. Appleby*, decided May 31, 1924 in the supreme court of Tennessee. The judge rendering the opinion said in substance:

Compliance with the blue-sky law by a foreign corporation was not required where corporation was not engaged in sale of securities and limited its activities exclusively to real-estate loans for which it was organized, such business being excluded by acts first ex. sess. 1913, c. 31, section 1, from "investment companies."

Where articles of incorporation declared the purpose of an Oklahoma corporation to engage in real-estate mortgage loan business, amended articles adding unauthorized inconsistent purpose did not vitiate corporate charter, but would be treated as surplusage, since Oklahoma statutes limit corporate powers to specific purposes, and such statutes and articles of incorporation form the corporation charter.

#### **West Virginia**

The rule that an account rendered and retained for a long time becomes an account stated is, as a general proposition, inapplicable, except as between merchant and merchant, and principal and agent, with mutual accounts. (*Price Hill Colliery Co. v. Pinkney*, 122 South-eastern 434).

#### **Wisconsin**

*Stevens v. Montfort State Bank et al*, was an action in the supreme court of Wisconsin, decided May 6, 1924, wherein the question arose whether a depositor's passbook, balanced annually for seven years, constituted an account stated. The points decided were as follows:

Where passbook of depositor was balanced annually for seven years and parties acquiesced in such account, after balancing, for long period of time, statement of account as represented by passbook was properly held to be account stated.

Rule that settlement between individuals, or where account is stated between them, will not be set aside except on clearest

proof of fraud or mistake is particularly applicable between depositor and bank.

In depositor's action against bank and its receiver, where defendant's request to amend answer to allege fraud and mistake in statements of account was not made till it had proceeded to establish defense, and amendment alleged such defenses generally, and alleged no excuse for failure timely to plead such defenses, there was no abuse of discretion in refusal to permit amendment.

#### **Washington**

A case involving limitation of action on an account stated was *Hamlin v. Flick*, decided in the supreme court of Washington on June 4, 1924, which was as follows:

While the statement of an account creates independent indebtedness from which statute of limitation runs from time of statement, it is not a contract in writing nor a liability express or implied arising out of the written agreement, and an action thereon is barred, under rem. comp. stat. section 159, after three years.

The maker of a note can not offset against it a claim on an account stated, against which limitation has run.

Where there was mutual understanding between parties that the reasonable value of services rendered by maker should be credited on note, in an action on the note after limitations had run against stated accounts rendered by maker, courts should credit the note with services, defendant's rights being within the claims denominated pure defenses not barred short of time actions to which they are defenses are barred.

Attorney who, in compliance with request by heir, examined into estate and interviewed administrator and reported that an action would be necessary to enforce heirs rights can not be held negligent in not instituting action where he was not directed to do so.

Payee of note is not entitled to any larger recovery in suit thereon because defendant has made real property unavailable which he pledged as security.

Statements of account, by failure to object to them within reasonable time, become accounts stated.

## OBITUARY

Robert Douglas, of Massachusetts, died very suddenly on August 28th. Mr. Douglas had been a member of the American Institute of Accountants since 1916, when he was admitted by virtue of his membership in the American Association of Public Accountants, the predecessor of the Institute. He was a certified public accountant of Massachusetts and an active participant in the affairs of the state society as well as of the Institute. His funeral was held from

St. John's church, Newtonville, Massachusetts, on August 31st.

Gideon M. Mansfield, 201 Devonshire street, Boston, Massachusetts, died on July 31, 1924. He was a C. P. A. of Massachusetts and had been a member of the Institute since 1916, when he was admitted by virtue of his membership in the American Association of Public Accountants.

## NEW LEGISLATION

### Quebec

At the last session of the legislature, Quebec adopted a new blue-sky law under the name of "an act respecting the issue and sale of shares, bonds and other securities," the purpose of which is to prevent defrauding of the public by offering worthless or valueless securities.

One section of the new law provides that all corporations and joint-stock companies, hereafter incorporated by provincial or foreign laws and authorized to issue bonds or shares apart from those whose shares are listed on the stock exchanges of New York, London, Paris and Canada, are restricted to certain obligations.

For example, these corporations and joint-stock companies are compelled to transmit documents concerning their present and future activities, such documents to

include copies of estimates, prospectuses and other written matter sent out by the corporation or company regarding the profits it hopes to realize. Other details must also be given.

The law further says that no detail relative to fulfilment of formalities shall be mentioned. This is to prevent corporations and companies from stabilizing the sale of bonds by means of an official government sanction, even after they have complied with these legislative provisions of the law.

Non-fulfilment of the above formalities involves a penalty consisting of a fine of not over one thousand dollars. In case of non-payment, imprisonment not to exceed three months of the officers or directors of the corporation or company participating in the failure to comply with the law will follow. The loss of civil recourse would follow in addition to the above penalty.

## HERE AND THERE

B. M. Bachman of the valuation bureau of the interstate commerce commission has been appointed chief accountant of the public utilities commission to succeed E. V. Fisher, who was promoted to executive secretary.

Barrow, Wade, Guthrie & Co. announce the removal of their Philadelphia offices to 2203-2205 Packard building, Fifteenth and Chestnut streets, Philadelphia, Pennsylvania.

Derbes, Caballero & Miller of New Orleans announce that Louis H. Pilie and Loraine J. Lampton have been admitted to partnership.

A special C. P. A. intensive review course is offered by the accounting department of the college of business administration of Boston university in preparation for the C. P. A. examinations to be held in November, 1924.

Alfred H. Coe announces the opening of offices in the DuPont building, Wilmington, Delaware.

William M. Lybrand has been delegated by the president of the Institute to represent the Institute at the annual convention of the Dominion Association of Chartered Accountants, which will be held at Quebec from September 10th to 12th.

*Bulletin of American Institute of Accountants*

H. P. L. Hillman announces the removal of his office from 648 Ontario street to 198 Glenrose avenue, Toronto, Canada.

Homes & Davis announce the opening of a branch office in the Land Title & Trust Co. building, Philadelphia, Pennsylvania.

The lord chief justice of England, the warden of All-Souls college, Oxford, the president of the Royal Society, the president of the Institute of Chartered Accountants and the governor of the Bank of England have been appointed a committee of five to safeguard future transfers of the controlling shares of the *London Times*. The object of appointing this committee apparently is to insure, as far as possible, that the ownership of the *Times* shall not be regarded merely as a matter of commerce to be transferred to the highest bidder without regard to any other circumstances. It will be noted that the committee represents four elements of national life—judicial, academic, scientific and financial—and that it is a permanent committee.

Attention has been called to the proposed income tax law for Mexico. After at least one time extension, it was scheduled to take effect on August 30th, when declarations were to be filed. The law has a minimum wage or salary scale, said to be two hundred pesos a month, below which no income tax is to be paid; but all who earn salaries or wages above this amount will pay income tax which increases till it reaches two per cent. for incomes over two thousand pesos a month. Commercial firms pay taxes based on profits made. This tax, it is understood, will be in addition to present taxes, stamp duties, freight rates and the like which have been recently increased.

Fred S. Neubauer has removed his office to 1227-29 Prospect avenue, Cleveland, Ohio.

Walter J. Nichols announces the opening of an office at 149 Broadway, New York.

The university of North Carolina intends to start an extension class in ac-

counting in Greensboro, North Carolina, in October.

Howard W. Painter announces the opening of offices at 1507 Fletcher Savings & Trust building, Indianapolis, Indiana.

Peter & Moss, 901-904 Praetorian building, Dallas, Texas, announce the admission of John Felstead Stuart Arthur and Thomas Campbell McNeill to partnership in their firm.

The committee on public affairs of the Institute has recently completed the compilation of a list of names of the members and associates of the Institute. It is in the form of a booklet of forty pages, and in it the members and associates are arranged in alphabetical order according to the states in which they reside.

Rainess, Fisch & Rothman announce the removal of their office to 220 Fifth avenue, New York.

O. A. Shults spoke on accountancy at the Lion's club luncheon at the Hotel Rochester, Rochester, New York on August 19th.

Jacob Simon announces the removal of his offices to the Berkeley building, 19 West 44th street, New York.

Sobel & Avin announce the removal of their office to 320 Broadway, New York.

H. Ivor Thomas, vice-president of the California state society of certified public accountants and former vice-president of the American Institute of Accountants, had an article in the Los Angeles *Evening Herald* on June 21, 1924, in which he advised young men how to become accountants.

The United States district court has appointed William Gaines Austin, member of the American Institute of Accountants, receiver for the Southern Cotton Oil company and the Virginia Carolina Chemical company in the southern district of Alabama.

# AMERICAN INSTITUTE OF ACCOUNTANTS

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AT the annual meeting of the American Institute of Accountants held at St. Louis, Missouri, September 16, 1924, President Edward E. Gore, following the presentation of his report, reviewed briefly the activities of the Institute in regard to income-tax legislation and to the rules and regulations of the United States Board of Tax Appeals. Following Mr. Gore's remarks, it was resolved that the information which he had given should be printed and distributed to Certified Public Accountants throughout the United States.

The following pages contain a summary of Mr. Gore's remarks and text of the resolution unanimously passed by the Institute at their conclusion.

This matter is prepared and distributed in accordance with the resolution of the Institute.

A. P. RICHARDSON, *Secretary*.

## REMARKS BY PRESIDENT EDWARD E. GORE

"I thank you for the reception given my report. Times that I have covered are, in a way, troublous times. Here and there someone has intimated that your president and the executive committee and others connected with the administration of affairs of the Institute have been thoughtless of the interests of the certified public accountants of this country. How any of our members could entertain that thought is a mystery to me.

"I remember well that about twenty-two years ago, J. Porter Joplin, the last president of the American Association of Public Accountants, went with me to Springfield, Illinois, and worked for six months for the passage of a C. P. A. law. I remember how many representative men gave of their time and their talents and their influence to the preservation of the integrity of a decent C. P. A. law not only in Illinois but in all the states of the union. To talk about the Institute being negligent of the interests of the certified public accountant is to talk idly or without information or with a purpose that is little short of infamous. Recall the history of the Institute. It has spent its money, given of its substance and induced its members to labor as they have labored, with the result that every state in the union and all the territories have C. P. A. laws modeled after the suggestion of the American Association of Public Accountants or its successor, the present Institute. It is my opinion that the Institute has been too modest in presenting to its members a record of its accomplishments. It is a source of grief to me that any member would for a moment imagine that his interest or the interest of any other member of the organization would be overlooked. The objects of this organization are set forth in the first article of its constitution. These objects are to unite and to serve the profession of accountancy.

"A situation arose wherein it was necessary for the Institute to assert itself. The United States board of tax appeals organized and promulgated the rules of procedure for practice before it. These rules provided that those who would be permitted to appear must be either attorneys at law or certified public accountants. With about 1700 members of our organization who are certified public accountants can anyone imagine that the Institute would do anything to injure their interests?

"When this situation arose the Institute made representations on behalf of about two hundred members who are not certified public

accountants asking that they also be permitted to practise. The Institute could not do less and retain the respect even of those who are certified.

"I wonder how many of you who are here today know that the first draft of an income-tax bill ever made in this country was drawn up by the committee on federal legislation of the American Association of Public Accountants? I have a copy of that draft here. I have also an attested copy of an act for the creation of a board of tax appeals independent of the treasury department drawn by a member of the Institute in 1919. This draft was referred by the then Senator Harding to Senator Boies Penrose of Pennsylvania, but before any action could be taken upon the draft the death of Senator Penrose intervened.

"I have also a pamphlet which shows that among the questions presented for the consideration of the annual meeting of the Chamber of Commerce of the United States of America, held in April, 1921, a resolution was adopted calling for a board of tax appeals. This resolution was due to the activities of members of the American Institute.

"In the report of the proceedings of the eleventh annual meeting of the Chamber of Commerce of the United States of America it will be noted that a similar resolution was adopted without a dissenting voice. It was prepared by a member of the Institute and adopted as a result of his activity in its behalf.

"When the Mellon bill was under consideration the chairman of the present committee on federal legislation, the president of the Institute and other members appeared before the ways and means committee of the house of representatives urging the creation of an independent board of tax appeals. When the secretary of the treasury recommended that such a board should be appointed by himself we were instrumental in preventing the acceptance of this recommendation and the appointment of the board was placed in the hands of the president of the United States.

"Your committee watched the progress of this legislation through the house, through the senate and through the conference committee.

"Now we come to the point where that board has been appointed and has started to function and has uttered its rules. These rules contain provisions which I have mentioned relative to those who shall be permitted to practise before the board. It would be an easy thing for the executive committee and for the officers to ignore the two hundred members who are not certified, but it is inconceivable that the Institute should do anything of that kind. The Institute has been accused of betraying the certified public accountants. It has been



accused of trying to change the rules so that the tax expert could practise. I want to refute these statements. The executive committee directed the secretary to interview the chairman of the board of tax appeals and acting upon a request from the chairman of that board that a brief be prepared the secretary prepared and presented the following brief which I read for the information of members:

CHARLES D. HAMEL, Esq., *Chairman*,  
Board of Tax Appeals,  
Investment Building, Washington, D. C.

August 8, 1924.

Dear Mr. Hamel:

In accordance with the suggestion made during my interview with you in Washington on August 5th, I have pleasure in submitting the following comment upon the regulations issued by the board of tax appeals governing the right to appear before that board. In making these suggestions I am speaking on behalf of the American Institute of Accountants and wish to assure you that the Institute is anxious to coöperate in every way possible in order to facilitate the work of the board and to protect the interests of taxpayers.

The rules promulgated by the board contain the following paragraphs:

The following classes of persons may be admitted to practice before the board:

- "1. Attorneys at law who are admitted to practice before the supreme court of the United States, or the highest court of any state or territory, or the District of Columbia.
- "2. Certified public accountants duly qualified under the law of any state or territory."

In limiting admission to practise to attorneys and certified public accountants it seems to us that the board is unintentionally inflicting an injustice upon many taxpayers whose accountants are not certified, and upon such accountants themselves, and the Institute feels that the board might, without any danger of lowering the standards which it desires to set up, include a provision which would permit some accountants who are not certified to appear before the board.

The membership of the American Institute of Accountants consists of 1862 members and associates. Of this number we believe that 270 are not certified, although it is possible that there is a small number of members certified who have not advised us of the fact.

Roughly speaking, however, we estimate that 14% of the members of the American Institute of Accountants are not certified and therefore would be prevented from presenting cases for consideration by the board of tax appeals. In this number are many men who have been a great many years in public practice and have built up a clientele of the best kind. There are some who are holding membership in foreign societies, such as the English, Scottish and Canadian Institutes of Chartered Accountants and the British Incorporated Society of Accountants and Auditors.

When the American Institute of Accountants was founded provision was made to admit by examination qualified practitioners whether certified or not. This seemed to be necessary in view of the fact that some of the state certified public accountant certificates had no great value or significance. Every state in the United States, the territories

of Alaska, Hawaii and the Philippines, as well as the District of Columbia, all have certified public accountant laws, but the standards vary and it was with the idea of establishing a standard throughout the United States and its dependencies that the Institute provided its own examinations for admission. Since that time many states have adopted the Institute's examinations and are governing the admission of certified public accountants by the Institute's standards. At the present time thirty-four states and the territory of Hawaii coöperate with the Institute in the conduct of examinations. Some of these states coöperate under legal requirements, others by virtue of the rules promulgated by state boards of accountancy.

The Institute has been continuously engaged in an effort to raise the standards of professional accountancy and to insist upon the observance of a rigid code of ethics. It certainly is not an exaggeration to say that no organization has ever done as much for the advancement of better accountancy as has been done by the American Institute of Accountants, and it is interesting to note that the Institute was most persistent in its support and encouragement of the enactment of a law providing for the creation of a board of tax appeals outside the treasury department.

For your information I am sending you herewith a copy of the constitution and by-laws of the American Institute of Accountants and a circular of information describing the requirements for admission to the Institute. On page 12 of the circular containing the constitution and by-laws you will find the rules of professional conduct to which members of the Institute subscribe.

It is probable that in the total number of attorneys and certified public accountants who, under the rules already issued by your board would be entitled to practise before the board, there are many men not altogether well qualified to present cases such as will come before you. No doubt the board will find it possible from time to time to eliminate from its list of persons admitted to practice those who are found to be poorly qualified or not qualified at all. Consequently, the Institute would not suggest any change in the board's existing rule permitting all attorneys and certified public accountants to practise. But the Institute would certainly be justified in urging, and on behalf of the Institute I do urge, that the board give consideration to an additional clause which will make it possible for accountants who are not certified to appear before the board if they can present evidence of proper qualification.

Accordingly I suggest for your consideration the addition of a clause which has already been presented to you by President Edward E. Gore of the American Institute of Accountants, as follows:

"Members of any professional society of accountants, admission to which is dependent upon the passing of professional examinations of a standard at least equivalent to that of any state in the United States."

If this clause be not acceptable I would suggest further that a clause might be inserted somewhat as follows:

"Other accountants who can present evidence of having satisfied professional requirements of a standard at least as high as those of any state in the United States, each of whom shall have been found worthy of admission to practise before the board of tax appeals after consideration of his or her individual record and qualifications."

The American Institute of Accountants would probably prefer the adoption of the first of the two suggestions given, but the Institute has no intention of seeking an

amendment which could be regarded as narrow or selfish. The great point which the Institute has in mind is that persons who are by every professional standard qualified to appear before your board should be permitted to do so.

Let me take this opportunity of thanking you for the courtesy extended to me during our interview, and for this opportunity to present to you the suggestions of the American Institute of Accountants.

The Institute holds itself in readiness to render every service in its power for which the board of tax appeals may make request.

I have the honor to be,

Sir, Yours faithfully,

A. P. RICHARDSON, *Secretary*.

"There has never been a moment when the American Institute of Accountants has not only been the earnest advocate of the certified public accountant but has spent its money and time to obtain for accountants in every state suitable C. P. A. legislation. Now we find ourselves accused through the mails of having betrayed the profession. Is there any member present who in view of the facts which I have stated will honestly claim that the Institute has been negligent or has done anything to jeopardize the welfare of the certified public accountant? I refer you to the record. From that record you will learn that the Institute has been ever at the forefront in securing and defending C. P. A. legislation throughout the country and that the existence of a board of tax appeals is due to the efforts made by members of the Institute. Having done these things, having brought forth these results, can the Institute reasonably be suspected of an intention to nullify such substantial accomplishments and to make war on the profession? Does a sane mother murder her own children? No act of the Institute has ever jeopardized the interests of the certified public accountant, nor has any such suicidal act ever been considered by its management. It has simply been regardful of the interests of all its members—a duty imposed by common honesty, the non-performance of which would have rendered it utterly contemptible in the opinion of all men who respect their obligations."

The following motion was then offered:

"RESOLVED, That the American Institute of Accountants extend to its officers hearty appreciation of the manner in which they have presented this case to the United States board of tax appeals, and that we heartily endorse the action of the executive committee and of the council."

The motion was seconded and unanimously adopted.

It was then unanimously resolved that the facts of the case should be placed before all certified public accountants whether members of the Institute or not.

# BULLETIN

OF THE  
AMERICAN INSTITUTE OF ACCOUNTANTS

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OCTOBER 15, 1924

SERIES B, No. 6

## ANNUAL MEETING OF AMERICAN INSTITUTE OF ACCOUNTANTS

The annual meeting of the American Institute of Accountants was held in St. Louis, Missouri, September 16 and 17, 1924. Council meetings were held on the 15th and 18th days of the month. A full report of the proceedings will appear in the year-book which is now being prepared. The following brief summary is presented for the information of members.

The meeting was well attended and great interest was manifest in all the subjects under discussion and in the various addresses which were made. The arrangements for entertainment and comfort of visitors were excellent.

The programme was largely occupied with subjects of technical and public-service interest. In most of the addresses emphasis was laid upon the opportunity open to accountants to perform services of value to the entire public.

The following officers and members of council were elected:

President: John B. Niven (New Jersey)

Vice-presidents: Ernest Reckitt (Illinois); W. H. West (New York)

Members of council for five years:

W. Sanders Davies (New York)

C. O. Wellington (Massachusetts)

Edward E. Gore (Illinois)

W. D. McGregor (New Jersey)

George S. Olive (Indiana)

Charles G. Harris (Kentucky)

Charles E. Wermuth (Louisiana)

Member of council for three years:

Ernest Crowther (Pennsylvania)

The committee on nominations for the ensuing year consists of the following:

Elected by the council:

Elmer L. Hatter

John R. Ruckstell

Elected by the Institute:

Frederick B. Andrews

Charles S. Ludlam

Joseph M. Pugh

C. L. Swearingen

T. A. Thurston

Reports of officers and committees which were presented at the council meeting are summarized in the report of council which was accepted at the general meeting. The substance of the report follows:

The council of the American Institute of Accountants presents the following summary of the operations of the Institute for the past fiscal year. In such a report as this it is obviously impossible to do more than draw attention to some of the principal accomplishments and purposes. Full information will be in the hands of all members when the reports which have been accepted by the council are published in the Institute's year-book.

Particular attention is directed to the statement of financial condition and the auditor's report. For the first time in many years there is a reduction of surplus in the general fund of the Institute. This has been due, not to any decline in revenue, but rather to several extraordinary expenses. For example, the legal fees, chiefly incurred because of the Institute's successful efforts to enjoin the issuance of spurious C. P. A. certificates, involved a substantial appropriation from the accumulated surplus. The special appropriation made for the committee on public affairs and the increases in the number of employees are also an important factor in the decline of surplus.

During the year ended August 31, 1924, revenue to the general fund amounted to \$46,920, expenditures \$52,909; endowment fund and American Institute of Accountants Foundation combined, income \$12,027, expenditure \$11,150. At August 31st the surplus of the

general fund was \$7,665, and the endowment fund principal account was \$197,891. Additions to this fund during the year were from the proceeds from sale of books and the transfer of initiation fees earned. The board of examiners expended \$18,650 against receipts of \$13,869. The difference was covered by the sale of securities purchased from previous surplus of the board.

A dividend of \$4,000 was received from The Journal of Accountancy, Incorporated. It must be remembered that while this dividend is somewhat smaller than in other years The Journal of Accountancy, Incorporated, is carrying a very large portion of the expenses of the building and is sharing in many of the salary liabilities. The earnings of the magazine during the past year have been less than in the year preceding, due principally to the falling off of advertising revenue and to some decline in the number of subscriptions and cash sales. The publishing company has undertaken the production of *The Balance-Sheet*, a text-book by Charles B. Couchman, and the initial outlay having been now recovered future sales of the book will be principally profit to the company.

The 135 Cedar Street Corporation drew for cancellation \$5,000 bonds on October 1, 1923, and a similar amount has been drawn for redemption on October 1, 1924. This will reduce the total liability of the 135 Cedar Street Corporation to \$80,000, the balance of the bond issue outstanding.

At the beginning of the year 1923-1924 the Institute consisted of 1431 members and 375 associates. At September 1, 1924, there were 1517 members and 388 associates.

The council reports with deep regret the death of the following members and associates:

#### MEMBERS

Alexander Aderer	John H. McClement
Edwin J. Bishop	John Mahony
Bert C. Braman	Gideon M. Mansfield
Walter E. Butler	Jarvis W. Mason
John L. Carlson	Wm. H. Pickett
Thomas U. Conner	Thomas Cullen Roberts
John H. Devlin	Abbott H. Rollins
Robert Douglas	E. W. Sells
Douglas R. Greet	Frank S. Smith
William Franklin Hall	Charles W. Walters
H. J. Jackson	C. M. Williams
D. H. Kernaghan	W. T. Woodbridge

#### ASSOCIATES

F. Skubitzke Fuller  
Charles F. Kellogg  
Frank Noble  
Chauncey A. Olcott  
J. S. Simpson

Among the deaths reported in the foregoing list appears the name of Elijah W. Sells. It is impossible to estimate the loss to the profession which Mr. Sells' death creates. He had been in the very forefront of most professional activities for many years. He had been a member of the council of the Institute from the

beginning and in the American Association of Public Accountants had served as president and trustee for many years.

Eight resignations have been received. At the expiration of the time for payment of dues for the past fiscal year 13 members were dropped in accordance with the provisions of the constitution.

Regional meetings have been held at Dallas, Kansas City, Akron, Pittsburgh, Omaha, Wilmington and Providence. There was good attendance at most of the meetings and the council is convinced that the beneficial effect of this informal kind of meeting is substantial. It is to be hoped that from time to time the movement will spread so that in most sections of the country there will be at least one regional meeting every year.

At its meeting held this day the council approved the formation of several new chapters. Following is a list of all chapters at present authorized:

California	Northern Ohio
Illinois	Oregon
Kansas City	Philadelphia
Maryland	Pittsburgh
Massachusetts	Rhode Island
Michigan	St. Louis
Minnesota	Southern Ohio
	Texas

An interesting development of the Institute's activities is the bulletin which appears each month in an enlarged form. Beginning with the issue of May the publication was increased to 16 pages and was offered to the general public for subscription at a nominal price of \$1.00 per annum. At the present time approximately 1400 subscriptions outside the membership have been entered. The actual publication of the bulletin is in the hands of The Journal of Accountancy, Incorporated.

The bureau of information and library increase their usefulness year by year. The facilities provided under the endowment fund have come to be so much a matter of course in the Institute's activities that there may be a tendency to overlook their great value. Nothing that the Institute has done is of more vital importance to the profession of accountancy than the dissemination of information through the agencies controlled by the endowment fund.

During the year a supplement to the *Accountants' Index*, bringing the references up to June, 1923, was issued, and it was hoped that this would lead to an increased sale of the original volume and supplement combined. Unfortunately the response has been unsatisfactory and at the present time the net loss from publication of the original *Index* and the *Supplement* is more than \$12,000.

The board of examiners reports that during the year, in addition to applicants for admission to the Institute, it has supplied examination questions for the examinations of 963 candidates for C. P. A. registration to states whose boards cooperate with the Institute. Of that total 306 passed, 250 were conditioned in one

subject and 407 failed. These figures relate to the Institute's gradings and not to the decision of state boards.

A noteworthy feature of the year's record is the inauguration of the bureau of public affairs under the direction of the committee on public affairs. The council regards the service rendered to the profession by this agency as of the utmost value and cordially commends to the membership support of the bureau for its future labors. The latter will be discussed in detail at the meeting at which this report will be read, but the council desires to go on record as strongly advocating favorable response to the request for cooperation which will be made on behalf of the bureau. The letter-bulletins which have been published have done much to increase the prestige of the Institute and to advance public knowledge of the ideals of professional accountancy.

The committee on budget and finance found itself unable in view of the financial condition to recommend an appropriation from current revenue of the Institute for the support of the bureau of public affairs, and the request which has been addressed to all members and associates by the committee on public affairs is due solely to the fact that the revenues are not sufficient to meet the needs of the committee. The report of the budget committee indicates that had revenues been favorable the committee would have recommended an appropriation therefrom for the requirements of the committee on public affairs.

The committee on education has rendered a report containing a tentative outline for a standard curriculum for university courses in accounting which the council believes will be of general interest.

The following estimates of income and expenditures for the ensuing year have been reported by the committee on budget and finance and approved by the council:

GENERAL FUND

Income .....	\$47,920
Expenditure .....	46,225

ENDOWMENT FUND

Income, including income from the American Institute of Accountants Foundation .....	\$12,600
Expenditure .....	11,738

As a matter of interest the council is advised that the committee on budget and finance of The Journal of Accountancy, Incorporated, estimates the revenue for the ensuing year at \$65,500 and expenditures at \$63,025.

An interesting and valuable report of the committee on state legislation was presented at the meeting of council this day and will be published with the proceedings of the meeting. The report deals with the general question of the form of C. P. A. legislation and contains a summary of opinions which have been received in response to request addressed by the committee to the membership of the Institute.

Among the special committee reports which will be published is one dealing with the ques-

tion of restrictive legislation. In substance the report recommends that the Institute go on record as favoring the restriction of professional practice to persons properly qualified by the jurisdictions in which they reside or practice.

After an invocation by Rev. Edmund Duckworth, the members were welcomed by Mayor Henry Keil of St. Louis.

President Gore in his annual address reviewed the accomplishments of the Institute during the year, and made special reference to the organization of the bureau of public affairs, and the part which the Institute had played in shaping federal revenue laws. The address will appear in *The Journal of Accountancy*.

Following his formal report, Mr. Gore reviewed the work of the Institute in regard to certified public accountant legislation and explained the attitude of the executive committee and officers of the Institute in regard to the board of tax appeals, a matter which had been somewhat misunderstood. Following explanation of the efforts of the Institute to protect the interests of all its members, a resolution was adopted, extending to the officers the Institute's hearty appreciation of the manner in which they had presented the case and endorsing the action of the executive committee and of the council. There was no dissenting voice.

Addresses were delivered by Festus J. Wade, president of the Mercantile Trust company of St. Louis; Guy A. Thompson, president of the Missouri bar association; Charles D. Hamel, chairman of the United States board of tax appeals; Charles Saville, manager of the Dallas, Texas, chamber of commerce; Dean Everett Lyon of Washington university; Professor J. O. McKinsey of the university of Chicago; Gladstone Cherry of Milwaukee; and F. H. Hurdman of New York.

A resolution was adopted to make more effective the influence of the Institute in the various "regions." A special committee of five members was appointed to investigate the matter of making such proposals as were deemed necessary. The committee consists of Herbert M. Temple, Minnesota, chairman; J. R. Ruckstell, California; William H. West, New York; Carl H. Nau, Cleveland; Richard M. Crane, Colorado.

Col. A. H. Carter presented to the Institute a framed oil painting of the late Elijah Watt Sells. This presentation was

made on behalf of Mr. Sells' family. The portrait was accepted with expressions of deep gratitude and appreciation.

It was resolved that the Institute should go on record as favoring the appointment of accountants as trustees and receivers in bankruptcy.

Following the address of Charles D. Hamel, chairman of the United States board of tax appeals, the following resolution was unanimously adopted:

"Resolved, That we have listened with enlightenment and appreciation to the address of the Hon. Charles D. Hamel, who clearly and comprehensively has outlined the functions, organization and aims of the United States board of tax appeals.

"That we congratulate the board on the expedition with which it has moved and dealt with its initial problems, and we express our appreciation for the substantial recognition which the board has accorded to accountancy as a profession.

"That we endorse the representations and efforts that have been made by our officers to secure for our members who are not certified public accountants recognition in the board's rules of practice, and we feel confidence in the board's good faith in arriving at a decision on that question.

"That we recognize the purpose of the board to secure to the taxpayer the relief to which he may be entitled in a manner which will stand the scrutiny of the courts and we pledge to the board of tax appeals our loyal support in all its endeavors directed to that end.

"That the secretary be and hereby is instructed to transmit a certified copy of this resolution to the president of the United States and to the chairman of the United States board of tax appeals."

At the close of the meeting votes of thanks to the Missouri Society and to the committee on meetings were unanimously adopted.

The banquet was held on the evening of September 17th. A special feature of the banquet was a table for the 1904 class—those accountants who had been present at the congress of accountants held at the time of the world's fair in 1904.

The following representatives of foreign societies were present and participated in the activities of the meeting: George R. Freeman, vice-president of the Institute of Chartered Accountants of England and Wales; Alexander A. Garrett, secretary of the Society of Incorporated Accountants and Auditors of London; R. G. Simpson,

representing the Edinburgh Society of Chartered Accountants; J. B. Sutherland, president of the Dominion Association of Chartered Accountants.

At the meeting of council on September 18th, the following elections occurred: Secretary: A. P. Richardson; executive committee (in addition to the president and treasurer): W. Sanders Davies, F. H. Hurdman, J. Edward Masters, F. A. Ross and William Jeffers Wilson; committee on professional ethics: Carl H. Nau, chairman; John F. Forbes, J. Porter Joplin, James Matteson and C. R. Whitworth; board of examiners for three years: C. B. Couchman, Elmer L. Hatter and Ernest Reckitt.

A communication was received from C. O. Wellington, tendering his resignation as a member of the council. This resignation was accepted with regret, and, in accordance with the provisions of the by-laws, the vacancy for the current fiscal year was filled by the election of Stanley G. H. Fitch, Massachusetts.

The annual meeting of 1925 is to be held in the city of Washington, D. C.

At the annual meeting of the American Institute of Accountants Foundation, the following officers were elected: John B. Niven, president; Robert H. Montgomery, vice-president; Arthur W. Teele, treasurer; A. P. Richardson, secretary.

The following were elected members of the board of trustees: J. Porter Joplin, Carl H. Nau, Waldron H. Rand and J. E. Sterrett.

At the meeting of council on September 15th a communication was received from the American Society of Certified Public Accountants relative to informal conversations which had taken place between representatives of that society and of the American Institute of Accountants, and reporting the action of the American Society in regard to the appointment of committees to continue consideration of the relationships of accounting societies to each other. The council referred the matter to the executive committee with recommendation that a special committee be appointed for this purpose on behalf of the Institute. At a meeting of the executive committee held subsequent to the annual meeting the following committee was appointed: John B. Niven, chairman; Harold B. Atkins, F. H. Hurdman, J. E. Masters and Carl H. Nau.

## BOARD OF EXAMINERS

Following is a list of candidates whose names were recommended by the board of examiners to the council on September 15, 1924:

For advancement to membership:

Lorenzo Lewis Bland, Memphis  
William Christopher Essman, Cleveland  
Emil Kroeger, Minneapolis  
Paul Wilfred Pettengill, Chicago  
Paul Whittier Pinkerton, Chicago

For admission as members:

Edward I. Anfindsen, New York  
Carl John Batter, New York  
Andrew Henry Blass, Pittsburgh  
Benedict F. Buhle, New York  
Claire Samuel Dobson, Joplin, Mo.  
George R. Drabenstadt, Philadelphia  
Herbert William Finnemore, San Francisco  
Spaulding F. Glass, Kansas City  
Berl Gordon Graham, Cincinnati  
Arden O. Grover, Duluth  
Sidney Edward Hoover, Providence  
Orion Neely Hutchinson, Baltimore  
Edward Pearson Leeds, New York  
Claire Hiram Pease, Chicago  
Albert Moss, Portland, Oregon

Henry Joseph Rausch, Los Angeles  
Oscar William Schleeter, Charleston, So. Carolina.  
Stanley Spurrier, Wichita, Kansas.

For admission as associates:

Arthur DeWitt Alexander, San Francisco  
Joseph Baerncopf, Indianapolis  
Alex. H. Beard, New York  
Harold E. Bell, Youngstown  
Joseph Glenn Bixler, El Paso  
Joseph Alcidos Boulay, Minneapolis  
Ralph Ewald Wiegel, St. Louis  
Percival Lloyd Williams, Chicago

If protest is to be made by any member or associate against the election of any of the above-mentioned applicants, such protest must reach the offices of the Institute not later than November 1st.

At a meeting of the board of examiners of the Institute, held at the Institute on September 29, 1924, the following officers were elected: A. S. Fedde, chairman; A. W. Teele, treasurer; A. P. Richardson, secretary.

## COMMITTEE ACTIVITIES

### Special Committee on Public Affairs

With specific authorization from the council, and from the Institute assembled in annual meeting, the special committee on public affairs is forging ahead with the work in hand. Within a few weeks the committee will present another subject of interest to the public, in relation to which accountants are in a position to give valuable service.

In response to the appeal of this committee for a fund of \$30,000, with which to carry on its work, subscriptions have been made by members and associates, and by a few non-members, totaling nearly \$18,000. The subscribers number less than 300, including individual subscribers and members of firms subscribing, or, say, one subscriber out of seven members and associates. The appeal has been disappointing so far as the full participation of members and associates is concerned. A second appeal is to be made immediately, to those who have not subscribed to this work. The committee earnestly urges every member and associate to subscribe something, no matter how little, as an indication of interest in the work undertaken.

A detailed report of the work done to the close of the fiscal year, August 31, 1924, was presented to the annual meeting, and was adopted, together with a resolution of endorsement. This report stated that the committee has kept in mind the performance of public service on the part of the Institute and its members and associates. The test, in selecting work to be done, has been the question: In what way can the abilities of the members and associates of the Institute and the limited financial resources at command be made most productive for the benefit of the business public? The committee believes that effective public service invariably increases the stature and standing of the individual who renders it and the influence of any organization of which he is a part.

The activities conducted by the committee were listed in this report as follows:

1. Encouragement of the use of arbitration in the settlement of commercial disputes.
2. Presentation and encouragement of measures designed to combat the crime tendency as related to financial affairs.
3. Development of public opinion favor-



able to the appointment of practising accountants to the United States board of tax appeals.

4. Encouragement of public speaking activities on the part of members and associates and the provision of speakers for meetings of public, quasi-public and technical organizations.

5. Encouragement of literary effort by members and associates and the furnishing of articles to newspapers and periodicals.

6. Securing newspaper publicity for the various activities of the Institute.

7. In general, the conduct of correspondence, interviews and administrative work incident to the operation of the bureau of public affairs.

The report of the committee went into detail concerning each of these activities. Copies of the report will be placed in the hands of all members and associates of the Institute in printed form.

Discussing the work to be undertaken, the report stated that the committee has in mind a further distribution of letter-bulletins 1 and 2, and the preparation and printing of new letter-bulletins. One of the subjects in mind is the appointment of accountants and business men as receivers and trustees. Another possible subject is the development of budgeting in various divisions of the government. Still another, if conditions seem favorable, will relate to federal tax law revision. The committee feels that it will be a mistake at this time to indicate a definite programme as the committee should be free to take advantage of the development of matters of current interest as the year progresses. The press service, the speaking bureau and the writing and publication of articles should develop during the year.

The committee in its report expressed its belief that if the work, which it has mapped out can be financed, the Institute will become a more vital force in the affairs of the nation, and that, viewing the matter from the professional viewpoint, the return to the Institute and its members and associates will be far in excess of the costs incurred.

Much remains to be done by the members and associates in developing interest in their various communities in commercial arbitration and in the lessening of losses due to financial crimes. Committees have been organized and meetings planned by chambers

of commerce, trade organizations and credit-men's associations in many of the leading cities of the country. Members and associates of the Institute are actively coöperating in this work and are engaged in carrying out programmes which will run through several months, covering in many cases the sessions of the legislatures in the various states. The legislatures of all but four of the states will be in session during the coming winter.

The committee hopes that members and associates will follow up closely the work that has been undertaken. The committee stands ready to suggest programmes and to assist in any way possible in carrying them out.

Distribution of letter-bulletin 2, on *The Crime Tendency* is being continued. Nearly 100,000 copies have gone out. A fourth edition of letter-bulletin 1 has been printed to supply requests for it.

J. H. Nance, an Institute member of Dallas, Texas, has presented the subject matter of both letter-bulletins, so far issued by the committee on public affairs, in addresses before the wholesale and retail credit-men's association of his home city.

The Buffalo chamber of commerce is arranging a general meeting of that organization for the special purpose of discussing the crime tendency and of presenting the facts included in letter-bulletin 2. Lewis H. Allen, an Institute member, of that city, is chairman of the accountants' group of the chamber of commerce, and as such is making arrangements for the meeting. A special study may be made of the losses due to financial crimes in the Buffalo district.

Earl S. Gwin, president of the Lincoln Bank & Trust company of Louisville, Kentucky, and also president of the Kentucky bankers' association, presented in his address on September 9th to the bankers of his state the substance of letter-bulletin 2. He wrote the committee that he was greatly impressed both with the value and with the thoroughness of the report.

The *Ohio State Journal* of Columbus, Ohio, in its issue of September 15th, printed an extended review of letter-bulletin 2, giving in detail the figures as to the increase in financial crimes and also the remedies suggested.

The National Retail Furniture Association in its bulletin D-19 under date of Sep-

tember 16, 1924, presented a brief review of letter-bulletin 2. Announcement was made that copies of the letter-bulletin could be obtained upon application to the American Institute of Accountants, and, as a result, many members of the furniture association have been supplied.

The national association of mattress and pillow manufacturers, known as the "Better Bedding Alliance of America," with headquarters in Chicago, published in its September issue of its house organ notices concerning letter-bulletin 2. Many members of the alliance requested copies of the letter-bulletin as the result of this notice.

The September bulletin of the National Association of Building Owners and Managers contained an announcement of the publication of letter-bulletin 2. As a result, many individual members of this association have written in for copies.

The Associated Industries of the Inland Empire, of Spokane, Wash., included letter-bulletin 2 in its weekly letter to its members, and later distributed 100 copies.

*The Bulletin Board*, the organ of the Memphis, Tennessee, credit men, has asked for an article from the bureau of public affairs on letter-bulletin 2 on the crime tendency. Space is being held for the article in the November issue.

*Retail Furniture Selling*, a national furniture trade magazine, has notified the committee on public affairs that it wishes to print a quotation from letter-bulletin 2, giving credit for the material to the American Institute of Accountants.

From New Zealand came a request for a copy of letter-bulletin 2. A firm of accountants wrote for it, as a result of publication in a local paper of a copyright dispatch from New York, sent out by a press association.

The committee on public affairs is in-

formed that the American bar association has before it the report of its arbitration committee. No action was taken on the report at the August meeting, because of the limited time available for its discussion, but the subject will be taken up at the annual meeting.

Several members of the Institute have written the committee on public affairs that they are taking up the subject of arbitration with organizations in their home cities. Definite action is expected in a number of instances. The initial step to the introduction of legislation will be made through the efforts of members and associates in some of the states.

Contracts with press associations and the newspapers of the country are still productive. Several hundred clippings on subjects related to the Institute's work and the publications of the committee on public affairs have been received since the annual meeting. One day's mail contained 54 clippings which came from newspapers in 48 cities in 19 different states. The contacts thus made with the news associations and the newspapers will, it is expected, prove invaluable in the work of the committee as succeeding letter-bulletins are issued and additional facts are given to the press concerning the activities of the Institute.

Offers to make addresses or to serve as conferees with other organizations are received occasionally from members by the committee on public affairs.

These evidences of interest in the work of the committee are gratifying, and as the scope of its undertakings grows the committee will avail itself of the services of those who volunteer. It would like to increase its list of these volunteers materially, and will be glad to hear from others who will make public addresses, write articles and perform other public services.

## **NEWS OF STATE BOARDS OF ACCOUNTANCY**

### **California**

The next California examinations of applicants for C. P. A. licenses will be held at San Francisco and Los Angeles on November 13th and 14th, under direction of the California state board of accountancy. Under the rules of the board three years of actual experience in public accounting work are required in order to qualify for a license.

### **Hawaii**

The secretary of the territorial board of accountancy, Hawaii, reports the following as the present list of C. P. A. certificate holders in that territory: Adolf Frank Bauman, Ernest Roy Cameron, Henry Davis, Henry Glass, Matthew McG. Graham, Reginald Ross Marshall and H. Douglas Young.

### **Georgia**

The following candidates passed the C. P. A. examinations held in Georgia during May, 1924: G. S. Alexander, R. B. Anderson, S. W. V. Cheever, A. D. Crenshaw, C. A. Doolittle, S. F. Farr, W. J. Fraser, J. E. Fitzpatrick, T. W. Noel, W. L. Wilson.

### **Illinois**

Following is a list of persons who have been awarded C. P. A. degrees by the university of Illinois as a result of the examinations held last May: Gustaf A. Alterlund, Francis Merrill Beatty, William Thomas Brennen, Joseph Charles Bronars, Daniel A. Brophy, Patrick Joseph Carter, Nat J. Cogen, Ned Hall Connelly, Joseph Edward Cookson, Harry M. Couch, Nelson G. Culp, John Frank Danielson, Marion Ross Davis, Harold Debaun, Ralph Parsons Deswarte, Alexander Eulenberg, Aubrey Cleveland Flood, Willis Donald Gale, Alexander R. Grant, William Putnam Hauworth, Emil Frederick Hohne, Reinhardt George Jahn, John Walter Jolly, Warren H. Keller, Willard W. Kelsey, John Victor McGovern, John Jay McKeague, John M. Mader, Chris Moore Martin, Ben Stanton Naven, William Otto Olson, James Leonard Penny, William Pesmen, William A. Romanek, Samuel

Rottman, Abraham Harry Ruseman, Joseph Ronald Schulz, Paul Dotrengé Seghers, Daniel Edward Sheehan, Laverna Jay Smith, Cyril Amberg Ward, John Phelps Williams and Frederick Charles Yanowsky.

### **Louisiana**

In the bulletin issued on September 10th, the name of H. M. Snider, as a member of the new state board of accountancy in Louisiana, was erroneously given as H. M. Schneider.

### **New Jersey**

Following are the names of the certified public accountants of New Jersey to whom certificates have recently been granted: Henry Aitkin, Jersey City; W. Latimer Brown, East Orange; James F. Farrell, New York; Oscar Ferger, Montclair; Henry B. Fernald, Upper Montclair; J. S. Morris Goodloe, Montclair; Andrew M. Hauser, Newark; Charles Leo Hughes, Jersey City; Alexander Hunter, East Orange; M. Nathan Katzenellenbogen, Arlington; Arthur F. Lafrentz, New York; Ferdinand W. Lafrentz, New York; Charles S. McCulloh, New York; Philip N. Miller, South Orange; Michael Rogow, Newark; John R. Wildman, Upper Montclair.

## **NEWS OF LOCAL SOCIETIES**

### **Accounting National Section of the National Electric Association**

The first meeting of the Accounting National Section of the National Electric Association opened at the Hotel Clifton, Niagara Falls, Ontario, on September 20th.

### **Alabama Society of Certified Public Accountants**

At the annual meeting of the Alabama Society of Certified Public Accountants held September 2nd in Mobile, Birmingham was chosen as the place of annual meeting on Labor day, 1925.

The officers elected for the coming year are as follows: Homer P. Urquhart, Birmingham, president; John F. Andrews, secretary-treasurer; executive council: William J. Christian, Birmingham, James E. Dowe, Montgomery, V. R. Pritchard, Mobile, F. Hopkinson Smith, Birmingham, and Walter K. Smith, Mobile.

### **Iowa Society of Certified Public Accountants**

At the annual meeting of the Iowa Society of Certified Public Accountants the following officers were elected: A. H. Hammarstrom, Clinton, president; P. L. Billings, Des Moines, vice-president; E. J. Wiedman, Des Moines, secretary; George Parker, Des Moines, treasurer.

### **Louisiana Society of Certified Public Accountants**

At the annual meeting of the Society of Certified Public Accountants of Louisiana the following officers were elected for the ensuing year: Emile Bienvenu, president; C. M. Doiseau, vice-president; George A. Treadwell, secretary; Curtis F. Scott, treasurer. These officers, with Archie M. Smith, Rene J. LeGardeur and D. D. Ewing, constitute the executive board of the society.

## Ohio Society of Certified Public Accountants

Approximately one hundred certified public accountants from all sections of Ohio came together in annual session at the two-day meeting of the Ohio Society of Certified Public Accountants in Dayton on September 19th and 20th. L. G. Battelle of Dayton is president of the society. On the evening of the 19th J. O. McKinsey, professor of accounting at the university of Chicago, spoke on *Budgetary Control*. The next morning George R. Lamb led a round-table discussion. On the afternoon of the 20th Major Joseph Wheless of the Arbitration Society of America spoke on *Arbitration In Relation to Accountancy*. He was followed by Arnold R. Baar of Chicago on *The Revenue Act of 1924*.

## Virginia Society of Public Accountants

The Virginia Society of Public Accountants held its semi-annual meeting on September 6, 1924 at the Richmond hotel, Richmond, Virginia.

The luncheon was attended by about forty members. Gov. Trinkle, who was the guest of honor, spoke on the progress of professional accounting and its relation to business and the various departments of state. He requested that accountants keep him informed of their activities and asked for suggestions for improving the state income-tax law.

After the luncheon, various state laws regulating the recognition of accountants were reviewed. B. A. McKinney of Norfolk stated that many men were posing as

C. P. A.'s who had not been certified by the state board. He expressed a hope for more rigid laws and a better realization on the part of business men of the value of the C. P. A. certificate.

T. Coleman Andrews introduced a motion authorizing the organization of local chapters through the state, which was carried unanimously. The resolution permits the formation of a chapter in any locality having seven accountants actively engaged in the practice of accountancy. Charters will be granted under supervision of the state society.

A committee was appointed to purchase a suitable gift for the retiring secretary, W. R. Tolleth, of Norfolk, who had served the organization faithfully for many years.

Recommendations were made and a list of names was sent to the governor for his approval and appointment to the Virginia state board of certified public accountant examiners.

The date for the next meeting of the society will be announced later. The meeting will probably be held in the early spring at Roanoke.

Officers elected at the morning session were as follows: W. L. Elkins, Richmond, president; R. J. Walker, Norfolk, vice-president; F. P. Stratford, Richmond, secretary; T. C. Andrews, Richmond, treasurer.

It was announced that the old tri-state society, composed of Delaware, Maryland and Virginia, had been dissolved. A plan was announced to organize a new tri-state society, to be composed of Virginia, North Carolina and South Carolina, and a committee was appointed to further this purpose.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Federal

*Tevander v. Ruysdael* was a federal income-tax case decided in the circuit court of appeals, seventh circuit, on April 18, 1924.

Tax was defined as a charge or burden laid upon persons or property for public purposes; a forced contribution authoritatively imposed. Debts of the business, assumed by the purchaser at a receiver's sale, were held to include income-tax. The following portions of the decision are of interest:

During the year 1918, subsequent to the entry

of the decree entered after the previous appeal, the business was conducted by the receiver. The treasury department first ruled that the income-taxes for the year should be computed upon a co-partnership basis and should be assessed against the individuals as co-partners. Two years later the department reversed this holding and ruled that the income-tax for the year 1918 should be assessed against the business as a corporation. The decree and order of sale both provided that at a sale the purchaser should assume all existing debts against said business. There were no known debts, but the receiver retained \$20,000 from the purchase price of \$451,000 as indemnity against the purchaser's assumption. Apparently this retention was made without any arrangement

or agreement between the parties. After the original holding by the treasury department, at the request of the purchaser, \$13,000 was surrendered to it and \$7,000 retained, \$2,000 of which was used to pay a capital stock tax imposed by the government and \$5,000 of which was ultimately paid by the receiver as part of the income-tax finally assessed against the business as a corporation. The balance of the income-tax for the year 1918, being \$19,972.25, was thereafter paid by the receiver from the funds in his hands.

Plaintiff filed a petition in court, asking that the purchaser be required to reimburse the receiver for the last-named amount. The purchaser appeared and answered, and, upon hearing, the court denied the petition, refusing to charge the purchaser with the tax. This action is assigned as error, on the ground that, inasmuch as the tax assessed was a corporate tax, it thereupon became a debt of the business, which under the terms of the order of sale should be paid by the purchaser; the plaintiff alleging, also, that the purchaser is estopped by its action to deny its liability. The purchaser contends that after the decree was entered the business became that of a co-partnership, and even though the government may have assessed the tax as a corporate tax, as between the parties, the business was a co-partnership business and the tax should not be paid by the purchaser, because it was not a debt of the business, but an individual liability. The purchaser contends, also, that the words "assume all debts of the business" do not include an assumption of income-taxes, and that it could not have been intended that the purchaser pay the taxes assessed against the corporation, in view of the language of the order of sale providing for the sale "of the assets of the Standard Cap & Seal Company, the co-partnership heretofore existing between plaintiff and defendant." The order of sale also provided that the sale should include "all shares of the capital stock of a certain alleged corporation organized and existing under the laws of the state of Illinois, and known as the Standard Cap & Seal company."

The word "debt," in its technical meaning as applied to common-law actions, is not synonymous with the word "tax." *Lane County v. Oregon*, 74 U. S. (7 Wall.) 71, 19 l. ed. 101. But the word "debt" is not always used with this limited technical meaning. A "tax" may or may not be a debt under a particular statute, according to the sense in which the word is found to be used. *U. S. v. Chamberlin*, 219 U. S. 254, 31 Sup. ct. 155, 55 l. ed. 204. The word "debt" is frequently used in its well-recognized sense as that which is due from one person to another; that which one person is bound to pay another; a thing owing, an obligation; a liability. The character of a tax is well known. It is a charge or burden laid upon persons or property for public purposes; a forced contribution authoritatively imposed. When it is imposed annually—that is, when the law provides for its imposition—it is, before its due date, a liability in futuro, imposed by law, and when finally imposed it becomes a fixed liabil-

ity, a thing owing, a matured obligation.

It is apparent from the language used that the parties intended that the purchaser should assume all obligations or liabilities of the business. The parties knew that the law imposes income taxes. All parties knew that at the time of the sale the income taxes were liabilities in futuro; that they would become, when imposed, a fixed liability, a thing owing to the government. The purchaser, therefore, by assuming the debts of the business, included income taxes of the business.

Purchaser's counsel does not seem to have controverted seriously the proposition that the word "debt" was intended to include taxes, for in asking for a return of the money retained by the receiver, in a letter of September 2, 1919, he bases his ground for the return, not upon the proposition that "debts" did not include "taxes," but apparently upon the further proposition that the taxes were individual debts, and not business debts. The language used in that letter was this:

"The income and excess-profits taxes for prior years were paid on the basis of a partnership, and not on the basis of a corporation. The government officials, I understand, are figuring the taxes as to individuals, and Mr. Tevander has paid the amount requested from him, so that there is no reason to withhold any funds on this account."

The original decree entered on October 14, 1917, provided among other things:

"That Standard Cap & Seal company holds the legal title to all the assets and property, real, personal and mixed, of which it is possessed (in law and equity), in trust for plaintiff and Tevander, and plaintiff and Tevander are entitled to an assignment in due and legal form from Standard Cap & Seal company of all such assets and property. That all the assets, goodwill, contracts, business and estate, real, personal and mixed, in law and in equity, of Standard Cap & Seal company, and the new inventions for closure and closure-applying machines covered by United States letters patent numbered 1,200,669 and 1,219,791, dated October 10, 1916, and March 10, 1917, respectively, hereinbefore mentioned and described, be sold as hereinafter provided and the proceeds thereof held for distribution between Tevander and plaintiff as their interests may appear, but that said assets, business, property, patents and goodwill be sold as an entity. That Central Trust company of Illinois be and it hereby is appointed receiver of all and singular the property, real, personal and mixed, of every description, and of all moneys, claims in action, credits, bonds, stock, leasehold, interest, and operating contracts, and other assets of every kind, and all other property, real, personal and mixed, hereinbefore adjudged belonging to plaintiff and defendant Tevander, the legal title and possession whereof is now vested in Standard Cap & Seal company, to have and to hold the same as an officer and under the order and direction of this court. That said receiver hereby is authorized and directed to take possession of all and singular the property above-described, and to continue the business of the Standard Cap & Seal com-

pany. Each and every officer director, agent and employee of Standard Cap & Seal company hereby is required and demanded forthwith upon the demand of the receiver, to turn over and deliver to such receiver any books, papers, moneys, debts, or property or vouchers for property under their control.\*\*\* That plaintiff, Tevander, and Standard Cap & Seal company, be and they and each of them is hereby ordered and directed, by due and legal conveyance in such appropriate form as the receiver shall demand, to convey to the receiver, upon its demand, all and singular the assets, property and patents hereinbefore mentioned and described."

The language of the further order of sale has heretofore been referred to. This court did not, in its former decision, dissolve the corporation or attempt to do so, but it found the status to be, as adjudged in the decree entered subsequently, that the corporation held the legal title to the assets in trust for the co-partnership. This title was transferred to the receiver, who thereupon succeeded to the legal title and held the same in trust for the co-partnership. The transfers to the corporation by the co-partnership were set aside as fraudulent, and, so far as the rights of the parties between themselves were concerned, the status quo ante restored. The business was then being conducted, and had previously been conducted as a corporation. So far as the rights of third persons were concerned, so far as the government was concerned, the business was a corporation in its legal relationship with other people, and obviously because of this fact the treasury department ruled that the tax assessed should be that of a corporation. Any debt owing because of the operation of the business was, so far as third persons were concerned, a corporate obligation, for which the co-partnership property became liable in equity. Had money been borrowed by the corporation at the bank for the purposes of the business, the obligation would have been a corporate obligation, which the co-partnership property was bound to pay. So the tax owing to the government, being an obligation of the co-partnership business standing in the name of a corporation, was, as to third persons, a corporate tax, a corporate debt, though the co-partnership assets would become charged with the same. So, when the purchaser agreed, by bidding under the decree of the court, to assume all debts of the business, he must have intended to assume all obligations which, because of the peculiar circumstances, were as to all third persons corporate debts, but which in equity were chargeable against the co-partnership. There is no inconsistency between this finding and the former decree. The purchaser must be charged with the balance of the income tax for the year 1918, amounting to \$19,972.25.

The claim for interest upon \$100,000 detained in the receiver's hands from the plaintiff's share of the proceeds of sale should be denied. The fund mentioned was in the custody of the court, and invested by the receiver, under the direction of the court, in interest-bearing securities. No principle is known to the court upon which the defendant Tevander could be charged with any

additional interest that it is claimed should or could have been obtained. Nor does the court find anything in the record that sustains any objection by either party to any of the other items in the accounting, as determined by the court below. In view of the foregoing conclusions, and the record that has been submitted, the court finds no necessity for further evidence upon the issues presented, and makes final adjudication of same, as follows:

Tevander is charged with the following items, and they shall be paid to the plaintiff—\*\*\*\* The plaintiff, Ruysdael, owes the defendant Tevander the following items\*\*\*\* In addition, the purchaser of the assets, the Standard Cap & Seal corporation, shall pay to the receiver for the joint equal benefit of Tevander and Ruysdael the balance on income taxes for the year 1918, amounting to \$19,972.25, together with interest at the rate of 5 per cent. per annum from date of said payment, November 16, 1922, and this sum, when so received, shall be distributed by the receiver to Tevander and Ruysdael in equal amounts. The account and decree of the court below as modified above, will stand approved, and final judgment will be entered in this court in accordance with this opinion. The costs shall be taxed in equal parts against Ruysdael, Tevander and Standard Cap & Seal corporation.

The decree of the district court, so modified, is affirmed.

*In re. Epstein* was decided on July 4, 1924 in the district court, eastern district, Michigan. This was an income-tax case, which decided among other things that a trustee may examine a bankrupt on an income-tax return. In substance the decision reads as follows:

This is a petition by the trustee in bankruptcy herein to review an order of one of the referees denying the right of the trustee to examine the bankrupt concerning an income-tax return made by the bankrupt to the United States government; a photostatic copy of such return having previously been duly furnished by the treasury department to the trustees, pursuant to the regulations of said department. The certificate of the referee states that:

"The question presented on the review is: May a trustee in bankruptcy interrogate the bankrupt at a general examination of such bankrupt held under the provisions of the bankruptcy act\*\*\* in relation to income-tax returns prior to bankruptcy, made by the said bankrupt to the United States government?"

No case has been cited, and the court has found none, in which the precise question here involved was presented for decision. Cases cited on behalf of the bankrupt, such as *In re Reid* (D. C.) 155 fed. 933, and *In re Valencia Condensed Milk Co.*, 240 fed. 310, 153 c. c. a. 236 (C. c. a. 7), holding that public officers forbidden by statute to divulge information concerning tax returns made to them can not be compelled to testify relative thereto, are clearly inapplicable to the present situation.

As testimony of the bankrupt concerning the contents of the tax return would be incompetent (because secondary) evidence thereof in the absence of a proper foundation therefor, and as the return itself was available for introduction, and therefore no such foundation could be laid, the question essentially involved is whether the trustee in bankruptcy is entitled to introduce such income-tax return in evidence without the consent of the bankrupt.

The bankrupt relies upon section 3167 of the United States revised statutes, as re-enacted by section 1311 of the revenue act of 1921, and again by section 1018 of the revenue act of 1924, providing, among other things, that:

"It shall be unlawful for any person to print or publish in any manner whatever, not provided by law, any income return, or any part thereof, or source of income, profits, losses, or expenditures appearing in any income return."

Assuming, without deciding, that to testify concerning an income return is to "publish" it, within the meaning of this statute, is the giving of such testimony by a bankrupt, while under examination by his trustee in bankruptcy in proceedings under the bankruptcy act (Comp. st. sections 9585-9656), a publication of such return in a "manner\*\*\*\* provided by law?"

Section 257 of the revenue act of 1921 (Comp. st. ann. supp. 1923, section 6336 1/8x) which was re-enacted as a part of section 257 of the revenue act of 1924, provides that:

"Returns upon which the tax has been determined by the commissioner shall constitute public records; but they shall be open to inspection only upon order of the president and under rules and regulations prescribed by the secretary and approved by the president."

Pursuant to such provision, regulations have been prescribed by the secretary and approved by the president, article 1091 of which provides in part as follows:

"1. The original income return of an individual, partnership, corporation, association, joint-stock company, insurance company, or fiduciary, or a copy thereof, may be furnished by the commissioner of internal revenue to a United States attorney for use as evidence before a United States grand jury or in litigation in any court, where the United States is interested in the result, or for use in the preparation for such litigation, or to an attorney connected with the department of justice designated to handle such matters, upon written request of the attorney-general, the assistant to the attorney-general, or an assistant-attorney-general. When an income return or copy thereof is thus furnished, it must be limited in use to the purpose for which it is furnished and is under no conditions to be made public, except where publicity necessarily results from such use. In case the original return is necessary, it shall be placed in evidence by the commissioner of internal revenue or by some other officer or employee of the internal revenue bureau designated by the commissioner for that purpose, and after it has been placed in evidence it shall be returned to the files in the office of the commissioner in Washington. An

original return will be furnished only in exceptional cases, and then only when it is made to appear that the ends of justice may otherwise be defeated. Neither the original nor a copy of an income return, desired for use in litigation in court where the United States government is not interested in the result, and where such use might result in making public the information contained therein, will be furnished, except as otherwise provided in the next succeeding paragraph.

"2. A copy of an income return may be furnished by the commissioner of internal revenue to the person who made the return or to his duly constituted attorney, or, if the person is deceased, to his executor or administrator; or if the entity is in the hands of a receiver, trustee in bankruptcy, guardian or similar legal custodian, to the receiver, trustee or other similar custodian, upon written application for same, accompanied by satisfactory evidence that the applicant comes within this provision. 'The person who made the return,' as herein used, refers in the case of an individual return to the individual whose return is desired."

I am satisfied that the regulations just quoted, fairly and reasonably construed according to their evident intent and meaning, provide for the furnishing by the commissioner of a copy of an income return to the trustee in bankruptcy of the person who made such return, and for the use of such return by such trustee in examining the bankrupt in proper legal proceedings. Any other interpretation of the language used would render meaningless the words "except as otherwise provided in the next succeeding paragraph," and is, therefore, under settled principles of statutory construction not to be adopted unless no other construction be reasonably open. That certainly cannot be said here. If the quoted provisions do not permit a trustee in bankruptcy to use an income-tax return of the bankrupt for the purpose of examining the latter in court concerning the contents of such return, even after the furnishing thereof to the trustee by the commissioner, neither can a person who has made such a return, and who is not a bankrupt, use such return (though it be his own) for such purpose, however greatly he may desire to testify in relation thereto. It is plain from a reading of the quoted statute and sections 1 and 2 of the regulations in their entirety, that such a result was not intended by congress or by the treasury department officials. Under section 70a of the bankruptcy act (Comp. st. section 9654), providing that the trustee of the estate of a bankrupt shall be vested with the title of the bankrupt to "all documents relating to his property," whatever interest or rights the bankrupt had in this return prior to bankruptcy are now held by the trustee in bankruptcy and the bankrupt cannot object to the use of such return by the trustee detrimentally to the bankrupt, even on the ground that the effect of such use would be to compel him to incriminate himself. *Johnson v. United States*, 228 U. S. 457, 33 Sup. Ct. 572, 57 L. Ed. 919, 47 L. R. A. (N. S.) 263; *Ex parte Fuller*, 262 U. S. 91, 43 Sup. Ct. 496, 67 l. ed. 881; *Dier v. Banton*

262 U. S. 147, 43 Sup. Ct. 533, 67 L. Ed. 915 I reach the conclusion that the use by a trustee in bankruptcy of a return of his bankrupt, thus permitted by the regulations quoted, extends to and includes its use as a basis for an examination of the bankrupt in court relative to its contents if such examination be, as appears here, otherwise proper.

The foregoing regulations are authorized by section 161 of the United States revised statutes (Comp. st. section 235), providing that the head of each executive department may prescribe regulations for the "custody, use and preservation of the records, papers and property appertaining to" such department, *Boske v. Comingore*, 177 U. S. 459, 20 Sup. Ct. 701, 44 L. Ed. 846; and as the regulations of executive departments prescribed in accordance with statutory authority have the force of and constitute "law," *Boske v. Comingore*, supra; *International Railway Co. v. Davidson*, 273 Fed. 153 (C. C. A. 2), I conclude that the use here sought to be made of the income-tax return in question is a use "provided by law" within the meaning of the applicable statute already quoted.

There being, then, no statutory prohibition against the introduction of this income-tax return in evidence by the trustee in bankruptcy, nor against his examination of the bankrupt in relation thereto, what legal objection is there to such a use of the return in these bankruptcy proceedings? The return having been made and filed by the bankrupt, not as a part or result of any relations of trust or confidence between him and the government officials, but in compliance with the mandatory requirements of the statutes compelling him to do so, it cannot be desired or treated as a confidential communication in any true legal sense, nor privileged on that account. No good reason has been presented, and none suggests itself to the court, why the bankrupt, while testifying, as he is bound to under the bankruptcy act, at an examination "concerning the conducting of his business, the cause of his bankruptcy, his dealings with his creditors and other persons, the amount, kind, and whereabouts of his property, and, in addition, all matters which may affect the administration and settlement of his estate" (under section 7a [Comp. st. section 9591]), or at an examination concerning his "acts, conduct or property" (under section 21a [Comp. st. section 9605]), should not be cross-examined by the trustee in bankruptcy relative to admissions made by him in an income-tax return as well as regarding admissions made by him in some other connection. *Hines v. Smith*, 270 Fed. 132 (C. C. A. 6).

The order of the referee must be set aside, and the cause remanded for further proceedings consistent with the views expressed in this opinion. An order will be entered accordingly.

### California

*Wenban Estate, inc. v. Hewlett* was decided in the supreme court of California June 3, 1924. Rehearing denied July 3,

1924. In this action the agreement between corporation owner and director, cancelling a past indebtedness for transfer of bonds, was held to constitute an account stated.

*Kimball v. Baxter* was decided in the district court of appeal, second district, division 2, California, on June 9, 1924. Rehearing denied July 9, 1924. Hearing denied by supreme court August 7, 1924. The case was one of partnership accounting and decided the following facts:

In suit by personal representatives of deceased partner against one as surviving partner for an accounting, an interlocutory finding that defendant continued business as surviving partner was no more in effect than finding that he was surviving partner, and final finding that defendant had claimed the partnership assets as his own and appropriated them to his own use was not contradictory to finding of interlocutory judgment.

### Georgia

The essentials for an equitable accounting were stated by the supreme court of Georgia on April 18, 1924 in the case of *Arthur Tufts Company v. DeJarnette Supply Company*:

The facts set out in the petition do not make a case for an equitable accounting; it not being alleged that there are mutual accounts growing out of privity of contract, the facts stated not showing that the accounts are complicated and intricate, no case for equitable discovery being made, no writ of ne exeat being prayed and granted, the accounting sought not being of a trust fund, or between partners or tenants in common, and the case laid not being one where a multiplicity of suits would render a trial at law difficult, expensive and unsatisfactory. One or more of the above elements is essential to make a case of equitable accounting. Civil code 1910, section 4586. The accounting sought by the plaintiff can be had at law and is adequate. "The mere necessity of accounting to ascertain the amount due on a contract is wholly insufficient to give equity jurisdiction to order an accounting." *Burress v. Montgomery*, 148 Ga. 548, 97 S. E. 538.

### Massachusetts

*Metcalf v. Mitchell* was an excess-profits-tax case decided in the district court, D.



Massachusetts, on May 21, 1924. The gist of the decision was as follows:

Members of a firm of consulting engineers were not employees or officers within the war revenue act 1917, section 201 (Comp. st. 1918, section 6336 3/8), excepting certain persons from excess-profits tax, in so far as their services were made use of as consultants by states or municipalities, but were "employees" or "officers" where they were appointed officers of a municipality or district under ordinance.

Provision of water for general purposes of inhabitants of a city or town is not a public purpose and government has power to tax those engaged therein as against contention that it would interfere with sovereign powers of state or subdivision thereof.

Taxing of income of private persons, such as consulting engineers, arising from services rendered to a state in connection with sewerage systems does not so seriously interfere with governmental functions of state as to be unconstitutional.

### Missouri

*Wittich v. Wittich*, decided in the St. Louis court of appeals, Missouri, on June 13, 1924, was an action against a trustee for final account and involved the following facts:

Suits by beneficiary for money due from trustee, held to involve accounting which is strictly equitable proceeding, of which justice of peace has no jurisdiction, under rev. st. 1919, section 2720.

Where trust is still open, and trustee's accounts have not been settled nor balance found due to beneficiary, latter cannot sue trustee at law for money had and received.

Owner of stock in corporation, assets of which had been completely administered by trustee, as shown by his statement of amount distributable among shareholders, may sue at law for balance thus shown due him.

Trustee of trust estate created by will, who is also trustee to wind up corporation in which testator was interested, cannot mingle funds of two estates and set off debt due him from beneficiary against amount due such beneficiary as stockholder.

### Minnesota

The sufficiency of an account stated was involved in *Segerstrom v. Holland Piano Manufacturing Company*, decided in the

supreme court of Minnesota on June 27, 1924. A part of the decision was as follows:

There is little controversy in reference to the facts now before us. Defendant prepared exhibit A attached to the complaint and submitted the same to plaintiff by letter and advising that "the above amount has been credited to your account." This statement being so made and acquiesced in by plaintiff is sufficient to constitute an account stated. *Isaac v. Wishnick*, 136 Minn. 317, 162 N. W. 397; *Swain v. Knapp*, 34 Minn. 232, 25 N. W. 397; 1 C. J. 678-680.

### New Jersey

Gist of the decision in *National Security Bank v. Blumberg et al*, decided July 11, 1924, in the court of chancery of New Jersey, was to the following effect:

On motion for a preliminary injunction on a creditor's bill, where defendant, while indebted to the government for income taxes, transferred his property to his wife, actual fraudulent intent to defraud a creditor is sufficiently shown as against the naked oath of defendant that he had no lawful creditors for the purposes of the motion, although complainant became a creditor subsequent to the transfer.

### North Carolina

An open account can become an account stated only by the debtor's admission of liability of failure to deny liability for a reasonable time after receipt of account. (*Brooks v. White*, 122 Southeastern 561).

### Virginia

The statute of limitations was evoked in the case of *Ellison v. Weintrob*, decided in the supreme court of appeals of Virginia on June 12, 1924. The facts brought out in the decision were as follows:

Under code 1919, section 5810, prescribing a three-year limitation on certain actions, unless same concerned "the trade of merchandise between merchant and merchant, \* \* \* in either of which cases the action may be brought until the expiration of five years," an action on an account stated is barred after three years.

An account against a merchant, which has been proved in bankruptcy proceedings and on which a dividend has been received, is an account stated and action thereon is barred after three years under code 1919, section 5810.

## HERE AND THERE

Joseph E. Sterrett has been appointed by the Reparation Commission as the American member of the transfer committee constituted under the Dawes plan. Five members will make up the transfer committee, a Frenchman, an Englishman, an Italian and a Belgian, in addition to the American. The transfer committee is described as the most important, as well as the most ingenious, part of the whole reparation plan.

Walter J. Gill announces the opening of an office at 331 Madison avenue, New York.

Joel Hunter of Atlanta, Georgia, has been elected president of the city club of that city.

Bernhard Glassberg announces the opening of an office at 246 Fifth avenue, New York.

Arthur Andersen & Co. announce the removal of their New York office to 67 Wall street.

Millett & Dresser announce their removal to 812-813 Chapman building, Portland, Maine.

Jerome W. Hanks announces the opening of an office at 521 Corbett building, Portland, Oregon.

Thompson & Worley announce the resumption of their former name of Thompson & Black.

Price, Waterhouse, Peat & Co., (Paris), announce the admission to partnership of Charles H. Evans.

Henry S. Glass announces the removal of his office to the Straus building, 565 Fifth avenue, New York.

Alvin J. Benner announces the opening of an office in the Wainwright building, Seventh and Chestnut streets, Saint Louis, Missouri.

Alfred H. Coe announces that he has opened an office in his own name at 4154 duPont building, Wilmington, Delaware.

Milon M. Stone announces the opening of an office in the Security building, Springfield, Massachusetts.

Oscar Winkler announces the removal of his office to the Berkeley building, 19 West 44th street, New York.

Chester M. Foss & Co. announce the removal of their office to 806-807 Chapman building, Portland, Maine.

Anthony B. Manning announces the removal of his office from the Singer building to 160 Broadway, New York.

Ornstein, Rifkin & Co., 342 Madison avenue, New York, announce the admission of M. R. Weiser to partnership.

H. M. John Frost & Co. announce the opening of an office at 1124-5 City National Bank building, Omaha, Nebraska.

James Lovett & Co. announce the removal of their office to the Chicago Temple building, 77 West Washington street, Chicago, Illinois.

Will-A. Clader announces the removal of his offices to 2218 Packard building, corner of Chestnut and Fifteenth streets, Philadelphia, Pennsylvania.

Ethel Watts is reported to be the first woman to pass the final examination of the Institute of Chartered Accountants of England and Wales.

Gould-Logan & Co. announce the opening of offices at 420 Sunset building, Bellingham, Washington, and at 304 Colman building, Seattle, Washington.

Arthur H. Huene announces the formation of a partnership with George W. Krahe under the firm name of Huene and Krahe with offices at 51 Chambers street, New York.

Ellis LeMaster, Eustace LeMaster, and Thomas C. Cannon, of LeMaster, Cannon & Company, and E. C. Daniels, announce the consolidation of their practices at Spokane, Washington.

W. C. Rion announces the opening of an office at 1210-11 Palmetto building, Columbia, South Carolina.

H. O. Lewis and Albert Rieder have taken offices in the New Commercial National bank building, Fond du Lac, Wisconsin.

Arthur Young & Co. announce that James Ernest McLaughlin has become associated with them as resident partner of their Minneapolis office.

The university of Buffalo announces that George E. Cole and William R. Staples have been added to the university staff since the close of last year. Their subjects will be, respectively, cost accounting and federal tax accounting.

Judson Krueger & C. C. Staehling are conducting courses in elementary and advanced accounting respectively, two courses that are being given this year under the direction of the university of California extension division.

The New England school of accounting, which opened this month, occupies the top floor of the Sallinger building at 418 Main street, Worcester, Mass. Evening courses are conducted in accounting, auditing, bookkeeping, cost accounting, law and other commercial subjects.

W. E. Langdon an Institute member of Columbus, Ohio, is a member of the Columbus committee for "management week," appointed by a joint committee in charge of national arrangements. As a member of that committee he has arranged for a luncheon to be held by the Columbus chamber of commerce, Friday, October 24, 1924, and has invited Professor J. O. McKinsey of Chicago as a speaker.

James O. Lyford, chairman of the board of bank commissioners of New Hampshire and chairman of the state board of accountancy, died at his home in Concord, September 19, 1924. Mr. Lyford had been extremely active in the development of accountancy legislation in his state and had been largely instrumental in bringing into effect amendments which were desirable in the cause of better accountancy.

Col. Arthur H. Carter of Haskins & Sells, heads, as volunteer roll-call chairman, a special group to enlist the maximum response throughout the accounting profession of New York to the annual Red Cross roll-call opening November 11th, Armistice day, for funds to maintain the organization's relief work and public-health programme. The accountants' group is one of the first seventy-five groups formed in accordance with the campaign plan of committee organization of the city. Plans for comprehensive activity throughout the group are already in operation.

At the annual meeting of the American Bankers Association a session known as the "National Conference of Bank Auditors" was held with the purpose of discussing the feasibility and desirability of organizing the bank auditors into a section of the American Bankers Association. This session was addressed by Francis Coates, president of the clearing house section of the American Bankers Association; Andrew Russell, auditor of public accounts of the state of Illinois; and Edward E. Gore, former president of the American Institute of Accountants. This session was held October first, at the Auditorium theatre in Chicago.

Edward E. Gore has been performing valuable public service by addressing organizations in and near Chicago. Some of his recent addresses were: September 23: Marshall Field & Co. Post, American Legion, subject: *Home-grown Enemies of America*; September 25: Rogers Park Kiwanis Club, subject: *Business and the Presidential Campaign*; September 26: West Town Chamber of Commerce, Chicago, subject: *The Business Man and City Government*; October 1st: National conference of bank auditors—a section of the American Bankers Association, subject: *The Public Accountant and the Bank Auditor*; October 9th: Annual meeting of the Illinois Chamber of Commerce, subject: *Needed Legislation in Illinois*; October 10th: National Association of Bakers Supply Houses, subject: *Crime and Business*; October 11th: The Chicago Association of Candy Jobbers, subject: *Knowing Cost of Production*. Mr. Gore is scheduled to appear October 16th before the Illinois Municipal League to speak on *The Value to Municipalities of Proper Accounting*.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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NOVEMBER 15, 1924

SERIES B, No. 7

### INSTITUTE COMMITTEES

President John B. Niven has completed the organization of the Institute for the current fiscal year by naming the appointive committees provided for by the constitution and by-laws and by action of the Institute and the council.

Announcement of the committee on nominations, which was elected at the annual meeting in St. Louis, was made in the October bulletin.

The executive committee, elected by the council at its meeting September 17th, is composed of John B. Niven, president, Arthur W. Teele, treasurer, W. Sanders Davies, F. H. Hurdman, J. Edward Masters, Frederick A. Ross and Wm. Jeffers Wilson.

The committee on professional ethics, elected by the council on September 17th, is composed of Carl H. Nau, chairman, John F. Forbes, J. Porter Joplin, James S. Matteson and C. R. Whitworth.

The three members of the board of examiners, all to serve a term of three years, elected by the council on September 17th are: C. B. Couchman, Elmer L. Hatter and Ernest Reckitt.

The following committees have been named by President Niven, and the appointments accepted by the members mentioned:

#### *Committee on Arbitration:*

Joel Hunter, *Chairman*..... Georgia  
Theodore I. Schneider..... New York  
Lewis H. Wintermute..... Ohio

#### *Committee on Budget and Finance:*

Henry C. Magee, *Chairman*..... Pennsylvania  
George K. Hyslop..... New York  
Arthur W. Kenworthy..... New Jersey

#### *Committee on Constitution and By-laws:*

T. Edward Ross, *Chairman*..... Pennsylvania

George F. Meldrum..... Kentucky  
Alexander C. Rae..... Oregon

#### *Committee on Credentials:*

Will-A. Clader, *Chairman*..... Pennsylvania  
D. J. Levi..... Illinois  
Ernest E. Wooden..... Maryland

#### *Committee on Education:*

John R. Wildman, *Chairman*..... New Jersey  
David Himmelblau..... Illinois  
J. Hugh Jackson..... Massachusetts  
Guy V. W. Lyman..... Louisiana  
James M. McConahey..... Washington

#### *Committee on Federal Legislation:*

Edward E. Gore, *Chairman*..... Illinois  
Horace P. Griffith..... Pennsylvania  
William P. Hilton..... Virginia

#### *Committee on Meetings:*

A. M. Pullen, *Chairman*..... Virginia  
Wayne Kendrick..... Washington, D. C.  
Edward J. Stegman..... Maryland

#### *Committee on Publication:*

Herbert C. Freeman, *Chn.*..... New York  
Francis R. Roberts..... Illinois  
Ernest A. Roden..... Ohio

#### *Committee on State Legislation:*

Lewis G. Fisher, *Chairman*..... Rhode Island  
P. W. R. Glover..... New York  
A. Wenzelburger..... California

#### *Committee on Terminology:*

Walter Mucklow, *Chairman*..... Florida  
James O. McKinsey..... Illinois  
Albert G. Moss..... Texas

#### *Special Committee on Administration of Endowment:*

George O. May, *Chairman*..... New York  
P. G. Goode..... California  
William M. Lybrand..... New York  
S. Roger Mitchell..... New York  
Arthur Young..... New York

## Bulletin of American Institute of Accountants

### *Special Committee on Co-operation with Bankers:*

William B. Campbell, <i>Chmn.</i>	New York
H. G. Brissman	Minnesota
John F. Forbes	California
F. H. Hurdman	New York
Ernest Reckitt	Illinois
C. G. Robinson	Louisiana
Homer N. Sweet	Massachusetts

### *Special Committee on Definition of Earned Surplus:*

Arthur E. Andersen, <i>Chmn.</i>	Illinois
J. Pryse Goodwin	New York
Maurice E. Peloubet	New Jersey

### *Special Committee on Procedure:*

Leon E. Vannais, <i>Chairman.</i>	Connecticut
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James S. Escott	Kentucky
W. Q. Sharp	Mississippi

### *Committee on Public Affairs:*

Homer S. Pace, <i>Chairman.</i>	New York
George Armistead	Texas
Arthur H. Carter	New York
S. D. Leidesdorf	New York
George S. Olive	Indiana
Adam A. Ross	Pennsylvania
C. V. Rowe	California
Edwin H. Wagner	Missouri
C. Oliver Wellington	Massachusetts

### *Committee on Regional Districts:*

Herbert M. Temple, <i>Chmn.</i>	Minnesota
Richard M. Crane	Colorado
Carl H. Nau	Ohio
John R. Ruckstell	California
William H. West	New York

## Regional Meetings

Plans for the regional meeting to be held at Toledo, Ohio, December 6th are well advanced. This regional meeting will include members and associates of the Institute in Ohio, western New York, western Pennsylvania, Indiana and West Virginia and will be open to other accountants and business men interested. Invitations are being mailed also to members of the Institute in Michigan.

There will be morning and afternoon sessions, followed by a dinner at 6:30 o'clock. The sessions will be held at the Lasalle and Koch auditorium, Adams and Huron streets.

One general theme has been chosen for discussion at the morning and afternoon sessions, *Reports, their Preparation and Analysis*. The programme has been so sub-divided that papers are to be presented which will cover accountants' reports as viewed by the executive, as well as the detailed and mechanical preparation of the reports in the accountant's office.

Those who are to appear on the dinner programme include President John B. Niven, of the American Institute of Accountants; Charles M. Trammell, a member of the United States board of tax appeals, and Dr. E. E. Day, dean of the school of business administration of the University of Michigan. Mr. Trammell will speak on *Procedure and Practice Before the New Board of Tax Appeals*.

The Institute at its annual meeting took steps to define the various regions and to

enlarge upon its plans to make regional meetings attractive and of great value to the membership of the Institute.

### **Election of Members**

No protest having been received against the election of applicants whose names were printed in the October Bulletin of the Institute, President Niven has declared them elected as of November 1st.

### **Amendments Approved**

The amendments to the constitution and by-laws of the Institute which were adopted at the annual meeting in St. Louis in September were submitted to the membership for mail vote. A majority of the members having voted in favor of the ratification of the amendments thus adopted, President Niven declared them effective as of November 6, 1924. The amendments will appear in full in the Institute year-book.

### **Co-operation with Stock Exchange**

The services of the American Institute of Accountants in outlining procedure by which members of the New York stock exchange may be guided in having periodical audits of their records, were offered to the board of governors of the New York stock exchange by President Niven of the Institute on October 28th, following announcement of the decision on the part of the exchange to require such audits.

President E. H. H. Simmons of the stock exchange, in acknowledging receipt of this offer of coöperation on the part of the Insti-

tute, pointed out that under the resolution adopted by the governing committee of the exchange on October 22nd, and in accordance with regulations prescribed by the committee on business conduct, it is optional whether the audit shall be made by independent accountants or by members of the staffs of the exchange members.

Mr. Simmons stated that if the committee on business conduct desires assistance it will be glad to avail itself of the Institute's offer. He expressed gratitude for the tender of cooperation.

### **The Institute and Federal Legislation**

In accordance with a resolution adopted at the annual meeting of the Institute in St. Louis, September 16th, the Institute is sending to every certified public accountant in the country, whether a member or an associate of the Institute or not, a copy of an address made by the former president, Edward E. Gore, describing the relations between the Institute and the newly organized United States board of tax appeals, with reference to the regulations adopted by that board governing appearances before it. The speech describes the policies and actions of the Institute.

Mr. Gore's speech has been prepared in pamphlet form for this purpose and will be mailed to all certified public accountants whose names and addresses are in the Institute files. These number slightly in excess of 6,000. A few extra copies will be available for those interested.

### **Board of Tax Appeals**

Five additional decisions have been handed down by the board of tax appeals.

Decisions 3, 4 and 5 were entered in cases in which deductions of money given to the Palestine foundation fund were disallowed by the commissioner. The board found formally for the applicants that the contributions were legal deductions under section 214 (a) of the revenue act of 1921.

Decision No. 6 holds that a contribution made by a corporation to a church in a mill village, producing direct benefit to the mill corporation, is an allowable deduction as a business expense under section 234 (a) of the revenue act of 1918. The commissioner had claimed that a corporation may be allowed deductions only when the amount claimed is an "ordinary and necessary" expense in "carrying on" its business.

Decision No. 7 holds that the unextinguished cost of a building or portion thereof, demolished in 1921 as an incident to the carrying on of a business, is a legal deduction from the gross income of a corporate taxpayer in an income-tax return made for the year 1921. In the case under consideration the depreciated cost of the discarded materials was about \$2,700, and the board held that although a corporate taxpayer may not deduct from gross income any amount paid out for new buildings or permanent improvement made to increase the value of the property it may deduct the depreciated cost of a portion of the building demolished under section 234 (i) (4) of the revenue act of 1921.

A rule of practice has been adopted under which firms will not be admitted or recognized. Practice is by individuals only. Another amendment provides that an individual taxpayer or member of a taxpayer partnership may appear for himself or such partnership or corporation.

### **\* Test Case on Endowment Fund Contributions**

The question whether contributions made to the endowment fund of the American Institute of Accountants may be deducted in preparing income-tax returns is involved in a petition filed in the United States court of claims by Robert H. Montgomery.

Mr. Montgomery was compelled to pay an additional assessment of \$199.73 after the commissioner of internal revenue had disallowed as a proper deduction a contribution of \$5,000 made during 1917 by the partnership firm of Lybrand, Ross Brothers & Montgomery, to the endowment fund of the American Institute of Accountants.

In the petition filed by Mr. Montgomery in this case it is recited that the endowment fund of the American Institute was established and has been used exclusively for the purpose of maintaining an accounting library and a consulting information service for the use of members of the Institute. The petition recites further that the American Institute was organized and has been operated and conducted exclusively for scientific and educational purposes and that no part of the income thereof inures to the benefit of any private stockholder or individual. Further the petition says:

"Claimant's share of the said contribution, including all other contributions or gifts made

within the year 1916 to corporations or associations organized and operated exclusively for charitable, scientific or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the income of which inures to the benefit of any private stockholder or individual, was less than 15% of claimant's net taxable income for that year as computed without making any of said deductions.

"Claimant's said firm was, at the time said contribution was made and ever since then has been, actively engaged in the practice of accounting and auditing in the city of New York and various other cities throughout the United States. All the members of said firm are members of the said American Institute of Accountants, and have made continual use of the library and consulting information service established and maintained by the said endowment fund to which said contribution was made, as aforesaid, and the said payment was a necessary expense of the said firm actually paid in carrying on the business or profession of accounting and auditing.

"By reason of the premises, claimant avers that the disallowance of the said payment or contribution as a proper deduction from gross income by claimant's said firm was illegal."

Mr. Montgomery states that after paying the additional tax he filed with the collector of internal revenue, in accordance with the provisions of law, a claim for refund of \$199.73 with interest. He states that six months have expired since the date of filing of such claim and no refund has been rendered thereon.

Members and associates of the Institute will be kept informed as to the progress of this case in view of the fact that many contributed to the endowment fund.

### **Studies of Accounting Topics**

Fifteen graduate students of the University of Illinois recently prepared theses in part fulfillment of the requirements for the degree of master of science in accountancy. These men had completed their four year under-graduate curriculum in accounting, and had registered in graduate work for an additional year.

It is believed that the information brought together by these trained men in the preparation of these theses will be a valuable source of information on the respective subjects, which are as follows:

Erastus Immanuel Field, *The Distribution of Burden in its Relation to Periods of Abnormal and Subnormal Production.*

Weldon Powell, *Some Principles in Accounting for No-Par-Value Capital Stock.*

Francis Merrill Beatty, *The Accounting for Returnable Packages.*

Sidney Graham Winter, *A System of Accounts for Contractors.*

Howard William Gray, *The Relationship of Appraisals to Accounting.*

Chester Raymond Ham, *Adequate Accounting Procedure for Counties in Illinois.*

Paul Canaday Taylor, *A Study of Uniform Systems of Accounts for Industrial Concerns.*

Leslie James Buchan, *Accounting for Depletion.*

Charles F. Schlatter, *The Accountant's View of the Legal Status of Dividends Paid Before Restoring Impaired Capital.*

Frank Felix Filut, *Some Phases of Depreciation in Public Utility Accounting.*

Edward Michael Wagner, *Accounting for Interest on Owned Capital.*

David Wendell Crabb, *A Study of Accounting for Building and Loan Associations.*

Andrew Barr, Jr., *A Proposal for Certain Changes in the Federal Income Tax Law.*

Ray Robinson Dobson, *The Application of Statistical Methods to the Interpretation of Accounting Data.*

Louis Omar Foster, *When is Income Realized as a Basis for Taxation?*

Raymond Parker Marple, *A Comparative Study of Early Accounting Literature.*

Greer Gilbert Fullerton, *The Auditor's Use of Statistical Analysis.*

### **Institute Year-Book**

Material for the Institute year-book is in the printer's hands. Proofs have been read and an unusually early delivery is expected.

### **Board of Examiners**

The board of examiners met November 5th and discussed the proposed new plan of coöperation with state boards of accountancy. Action was deferred until the December meeting.

A summary of requests for examination papers received from state boards indicated that there would be nearly 900 candidates taking the examinations November 13th and 14th. This is a larger number than has applied for examination in three years.

The board meets the first Tuesday of each month.

## INSTITUTE CHAPTERS

### Kansas City

A citizens' committee in Kansas City recently requested the Kansas City chapter to name a committee to cooperate with it in investigating the accounting methods of Kansas City. The following committee of five was named by the chapter: Miller Bailey, George P. Jackson, Eugene M. Lynn, Robert S. Osborne and F. A. Smith.

Plans are under way to extend the curriculum of the Kansas City school of accountancy, law and finance, which was organized in 1914 by the members of the Kansas City chapter, and now gives a three year course in accounting and business law. The chapter is cooperating with the Kansas City chamber of commerce by giving a course in the chamber of commerce in the fundamentals of business accounting. This course is intended for business executives and is offered gratis by the chamber of commerce.

### Maryland

At the organization meeting of the Maryland chapter of the Institute the following officers were elected: Charles O. Hall, president; Elmer L. Hatter, vice-president; Joseph R. Eder, secretary-treasurer.

### Massachusetts

The Massachusetts chapter met October 27th at the Parker House, Boston. The general subject for discussion was *Commercial Fraud, Its Prevention and Detection*. Study was made of the facts presented in letter bulletin No. 2, on *The Crime Tendency*, issued by the committee on public affairs of the Institute. Many actual instances of defalcation were related and facts presented as to how these crimes were discovered. The discussion was from a strictly practical point of view.

### Michigan

The organization meeting of the Michigan chapter of the Institute, to which a charter was granted at the annual meeting in September, will be held this month. Officers will be chosen and a program adopted.

### Minnesota

Meetings of the Minnesota chapter were held August 22nd, October 17th and 24th and November 14th. This chapter has twenty members and four associates of the

Institute, and is conducting a membership drive. Three new members were admitted at the meeting of October 17th. Candidates for the Institute examinations were guests of the chapter November 14th.

### Northern Ohio

Officers were elected on October 11th by the Northern Ohio chapter as follows: Arthur E. Chandler, president; Walter F. Vieh, vice-president, and Lewis Wintermute, secretary and treasurer. In each case it was a re-election. The officers together with Homer L. Dalton and Harold Worthington constitute the board of directors, which also was re-elected. The chapter has forty-seven members, including all but five of the members and associates of the Institute in this territory. Plans are being made to publish a pamphlet containing a classified roster of members of the chapter, and a ways and means committee was appointed to arrange for financing the publication. This committee includes Carl H. Nau as chairman, Harold Worthington and Prior Sinclair. Mr. Vieh presented a report on the annual meeting of the Institute, and Homer L. Dalton reported on the annual meeting of the Ohio Society of Certified Public Accountants, held at Dayton, Ohio. Announcement was made that the next regional meeting of the Institute in this territory will be held at Toledo on December 6th. Mr. Dalton outlined the programme. An announcement was made that Governor Donahey will shortly make an appointment of a new member of the state board of accountancy.

### Philadelphia

An organization meeting of the Philadelphia chapter was held at Philadelphia November 7th. Sixty-seven members and associates of the Institute, including some from Delaware who reside in Philadelphia, have signed the membership roll. By-laws were adopted which conform to those of other chapters, except that provision was made that the secretary-treasurer may be elected from the general membership, in addition to the five directors.

Directors were chosen as follows: Adam A. Ross, Horace P. Griffith, George Wilkinson, Will-A Clader, Peter S. Barton. The directors elected officers as follows: President, Adam A. Ross; vice-president.



Horace P. Griffith. The chapter chose R. J. Bennett as secretary-treasurer.

Those who spoke at the organization meeting included Adam A. Ross, John B. Niven, president of the Institute; A. P. Richardson, secretary of the Institute; Peter T. Wright, vice-president of the Delaware state society of certified public accountants; William M. Lybrand, New York, N. Y.; John R. Lynn, president of the Pennsylvania institute of certified public accountants.

### **Pittsburgh**

The annual meeting of the Pittsburgh chapter will be held late this month. The date has not been announced. The officers of the chapter have in mind the appointment of committees to coöperate with committees of the Institute in matters where such coöperation may be necessary. They have in mind also the establishment of a library, and have a committee working on this matter. A definite program as to the winter activities will be adopted at the coming meeting.

### **St. Louis**

The St. Louis chapter has a programme of meetings extending to May, 1925. Meetings are to be held on the first Thursday of each month at the City club of St. Louis, preceded by a dinner.

The programme follows:

Nov. 6, 1924. "Am I interested in the profit-and-loss account when conducting a balance-sheet audit?" Presented by representatives of T. J. Hargadon & Co.

Dec. 4, 1924. "How can I make a client understand that the work performed by me has its limitations?" Presented by representatives of Touche, Niven & Co.

Jan. 2, 1925. "The certification of statements giving effect to refinancing—

(a) From the accountants' viewpoint.

(b) From the investment brokers' viewpoint." Presented by representatives of Price Waterhouse & Co.

Feb. 5, 1925. "Audit Reports—Can they be made more interesting?" Presented by representatives of Haskins & Sells.

Mar. 5, 1925. "To what extent should the determination of outstanding liabilities be carried outside of the accounting records?" Presented by representatives of Kessler, Cartall & Co.

April 2, 1925. "Can an accountant be of service to a client outside of his purely auditing work?" Presented by representatives of Jeff K. Stone & Co.

May, 1925. Annual Meeting—Date to be determined. "Stockholders' meeting at which are present several disgruntled stockholders." (Cast to be chosen later.)

### **Southern Ohio**

The Southern Ohio chapter of the American Institute of Accountants was organized on October 20, 1924. The following directors were elected: Ernest A. Roden, George R. Lamb, J. D. Cloud, C. A. Gano and J. D. Cherrington. The directors elected the following officers: Ernest A. Roden, president; George R. Lamb, vice-president; J. D. Cloud, secretary-treasurer. All but one of the Cincinnati members of the Institute joined the chapter and it is believed that the remaining member and all the Cincinnati associates will become members of the chapter. A special effort is being made to get the Institute members and associates resident in Dayton and Columbus to join the chapter. By-laws were adopted.

### **Texas**

Texas chapter No. 1 met in Dallas October 18th and appointed a committee to draft a programme to be undertaken by the chapter. Adjournment was taken to November 8th when officers were elected as follows: G. M. Hofford, Dallas, president; T. A. Thurston, El Paso, vice-president; J. F. S. Arthur, Dallas, secretary and treasurer; directors: T. J. Tapp, Houston, Joseph McElroy, Dallas.

## **COMMITTEE ACTIVITIES**

### **Executive Committee**

Regular meetings of the executive committee will be held the third Thursday of each month.

### **State Legislation**

Arrangements have been made by the

Institute to keep in close touch with all movements for new legislation in congress, in the various state legislatures, and in the territories, in the coming sessions.

Agents in the capitals of the states and territories and in Washington will telegraph the Institute concerning the introduction of any measure effecting accountancy. This

information will be transmitted immediately to representatives of the Institute in the various states, and the committee on state legislation and the committee on federal legislation will take such action as the circumstances demand.

The Rhode Island legislature is technically in session now. Measures to be introduced in the Massachusetts state legislature will be drafted late in December. Congress will convene early in December. If special sessions of any of the state legislatures are called before the first of the year, prompt word of them will be received by the Institute.

After January 1, the legislatures of more than forty states will begin their sessions. The coming year promises to be an extraordinarily active one so far as attempted legislation is concerned. The tendency is toward a further restriction of the conditions under which accountancy may be practised as a profession. Indications are that in New York state the McGinnies bill, which passed both houses of the legislature last spring, only to be vetoed by Governor Smith, will be reintroduced. Measures patterned to a large extent on New York, Maryland and Louisiana laws will probably be introduced in many states. The Institute invites the full coöperation of accountants in sending prompt information concerning new legislation.

#### **Special Committee on Indemnity Insurance**

The special committee named to investigate policies offered by indemnity companies for the protection of accountants, presented its report to the council, in which it recommended that members of the Institute in public practice cover themselves by some form of indemnity insurance and that steps be taken to ascertain how many members and associates of the Institute desire such insurance.

In accordance with this report the council directed that a questionnaire be sent to the membership to discover whether the members and associates favor indemnity insurance to cover public accountants in their professional practice; what amount of such insurance each individual member or associate would agree to take; and whether the individual member would agree to place for a period of three years such insurance in one of the first two companies agreeing to write this class of risk.

Approximately four hundred replies have been received. The replies to the questionnaire will be tabulated and action taken by the executive committee.

#### **Special Committee on Public Affairs**

Appointments to the special committee on public affairs announced elsewhere in this bulletin as having been made by President Niven, will enable the committee to proceed with the issuance of another letter-bulletin. A meeting of the committee will be called at once to work out a continuation of its policies as formulated during the first year of its existence.

Subscriptions to the fund of this committee now total \$19,587.50. The number of individuals represented by these subscriptions is 377. A second appeal for funds, which it is hoped will bring the total to the amount asked by the committee—\$30,000—is being prepared for early presentation to members and associates who have not subscribed.

The month has been devoted to extending the contacts made with chambers of commerce and trade organizations, in behalf of arbitration and in an effort to reduce losses due to financial crimes. Committees have been organized in many cities, with members and associates of the Institute coöperating, to advance arbitration and to strengthen laws dealing with credit and stock frauds and other financial crimes. Programs have been mapped out which will extend through many months.

The Cleveland association for criminal justice has offered to coöperate with the committee in its efforts to reduce losses caused by financial crimes. The Cleveland association will attempt to secure an improvement in criminal laws relative to specific matters in which the committee on public affairs is interested. Furthermore, the Cleveland association expresses its willingness to coöperate in any way possible to secure prompt and certain justice after offenders are brought within the jurisdiction of the courts.

A committee on the crime tendency appointed by President John L. Alcock, of the Baltimore association of commerce, with G. Harvey Porter, an associate of the Institute, as chairman, includes, Randolph Barton, John E. Boisseau, Elmer L. Hatter (an Institute member), Martin J. Kohn, J. W. Mehling and Charles H. Schnepfe, (an

Institute member). The committee will undertake the study of the subject locally and will later recommend measures to be adopted by the business men to reduce losses due to financial crimes.

William H. Compton, an associate of the Institute, of Trenton, N. J., is coöperating with the committee on public affairs in calling to the attention of the business public the facts concerning losses due to financial crimes and the remedies which have been suggested. Mr. Compton arranged for the publication in a Trenton business paper of an article based on letter-bulletin 2, he is to broadcast an address on this topic from a local station, and is to appear before the Trenton Kiwanis club on December 17th.

*The Bankers Home Magazine* in its September issue devoted a page and one half to a review of letter-bulletin 2 on the crime tendency, reprinting the suggestions of credit men, surety companies, bankers and accountants for reducing losses due to financial crimes.

*The Bank Director*, a monthly magazine published in New York, included in its October issue an article reviewing in detail letter-bulletin 2. The editor wrote that he believed the subject matter to be most interesting to his clientele.

The Chicago *Evening Post* on October 11th printed an article by Charles Banks, an associate of the Institute in Chicago, on the crime tendency. Among other things, this article said: "A word should be said for the American Institute of Accountants and its unselfish men who give much of their valuable time and thought to the service of the American business public. By wiring to their headquarters at 135 Cedar Street, New York, full and comprehensive data may be obtained."

The *Bulletin*, which is the official organ of the national association of building owners and managers, published in its issue of September 15th an announcement concerning letter-bulletin 2.

Lewis Wintermute, an Institute member of Cleveland, Ohio, is a member of the Cleveland chamber of commerce, and is participating in conferences which that committee is holding with the Cleveland bar association to devise plans for the promotion of arbitration.

Several copies of letter-bulletin 2 will be distributed in Japan by the Japanese cham-

ber of commerce, which has requested a supply for that purpose.

The Institute of Chartered Accountants of Manitoba, with headquarters at Winnipeg, has requested copies of letter-bulletins 1 and 2 issued by the committee, and has asked to be put on the mailing list to receive future letter-bulletins.

As a result of the wide distribution given letter-bulletins 1 and 2 many requests have been received from individuals, firms and corporations, to be put on the mailing list to receive copies of future letter-bulletins. The committee is thus building up contacts which it expects will prove of the greatest value in its work.

Among recent inquiries for copies of letter-bulletin 2 were requests from the Westinghouse Electric Manufacturing Co., Springfield, Mass.; a furniture house in Newport, Kentucky; a paper-box company in Portland, Maine; President Breckinridge Jones of the Mississippi Valley Trust Company, who asked for 500 copies; Charles H. Preston, an Institute member of Minneapolis who is distributing copies to the bankers of that state; the Lincoln, Nebraska, chamber of commerce, which distributed 2,500 copies to its members.

Extra copies of letter-bulletin 2 have been requested by the civic development department of the chamber of commerce of the United States for distribution to interested persons.

Careful record is kept by the committee of all public service performed by Institute members and associates, of which it is able to obtain information. Members and associates are urged to keep the committee informed of their public-service activities—speeches made, participation in local civic affairs, articles written—so that the committee's record may be complete.

J. Pryse Goodwin, an Institute member, supplied the *Journal of Commerce*, New York, an article which was printed October 24th dealing with the advantages of periodical audits for stock brokers. Mr. Goodwin summarizes the principal benefits as—protection; reduction and prevention of crime; protection to fellow brokers and to stock exchange; development of business; reduction in operating costs; privilege of bonding employees.

Joel Hunter, an Institute member, spoke at the Atlanta chamber of commerce on

October 20th on *The Language of Business*.

H. Leo Dalton, an Institute member of Toledo, addressed the Ohio association of bank auditors on October 18th on *The Public Accountant's Relation to Bank Auditors*. Mr. Dalton also gave a brief history of the Institute, its aims and activities.

At the request of C. E. Iszard of Wilmington, Del., the bureau of public affairs prepared announcements for the Wilmington papers concerning the examination of candidates for C. P. A. degrees to be held November 13th and 14th. A country-wide announcement of these examinations was made

through the Associated Press and the United Press.

Whenever requested the committee on public affairs assists in preparing newspaper announcements concerning activities of members and associates of the Institute.

The committee received a request from W. W. Larkin, a member in Manila, for twenty copies of its letter-bulletin 2 and a like number of copies of the official list of members and associates. Mr. Larkin plans to distribute the letter-bulletin among business men in this far-off possession of the United States.

## STATE LEGISLATION

### California

Following is the bill which it is proposed to submit at the next session of the California legislature in January, 1925. It is understood that the bill has the endorsement of the members of the state board of accountancy in California and of the directors of the California State Society of Certified Public Accountants:

An act to regulate the practice of public accounting in the state of California and to prohibit the practice thereof by unauthorized persons; to establish a state board of accountancy and to prescribe its powers and duties; to provide for the admission to practice as, and the licensing of certified public accountants and to prohibit the unlawful use of any words, letters, abbreviations, symbols or other means of identification by unauthorized persons indicating that they are certified public accountants or public accountants under this act; to provide for the employment of unlicensed persons by certified public accountants and public accountants; to provide penalties for the violation of its provisions; and to repeal an act approved March 23, 1901 entitled "An act to create a state board of accountancy and prescribe its duties and powers; to provide for the examination of and issuance of certificates to qualified applicants, with the designation of certified public accountant; and to provide the grade of penalty for violations of the provisions hereof."

The people of the state of California do enact as follows:

Section 1. Any citizen of the United States, or any person who has duly declared his intention of becoming such citizen, residing or having a place for the regular transaction of business in the state of California, being over the age of twenty-one years and of good moral character, and who shall have received from the state board of accountancy a certificate of qualification admitting him to practice as a certified public accountant as hereinafter provided, shall be licensed to practice and be styled and known as a certified public accountant.

Section 2. It shall be unlawful for any person who has not received a certificate of qualification admitting him to practice as a certified public accountant to assume or use such a title, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that the person using same has been admitted to practice as a certified public accountant.

Section 3. It shall be unlawful for any firm, co-partnership or association to assume or use the title of certified public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that the members of such firm, co-partnership or association have been admitted to practice as certified public accountants, unless each of the members of such firm, co-partnership or association first shall have received a certificate of qualification from the state board of accountancy admitting him to practice as a certified public accountant.

Section 4. It shall be unlawful for any corporation to assume or use the title of certified public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that such a corporation or any of its officers, directors or stockholders have received a certificate of qualification from the state board of accountancy admitting him to practice as a certified public accountant.

Section 5. It shall be unlawful for any person, firm, co-partnership or association to engage in the practice of public accounting in the state of California unless such person, or each of the members of such firm, co-partnership or association first shall have received from the state board of accountancy a certificate of qualification admitting him to practice as a certified public accountant. It shall be unlawful for any corporation to engage in the practice of public accounting in the state of California. *Provided*, however, that nothing herein contained shall be construed to prohibit the practicing of the profession of public accounting by any person, firm, co-partnership, or association or corporation who shall at the time of the passage of this act be engaged in the practice of public ac-

counting and maintaining an office as a public accountant in the state of California.

Section 6. Any person, firm, co-partnership, association or corporation who shall at the time of the passage of this act be engaged in the practice of public accounting and maintaining an office as a public accountant in the state of California, may, within six months after the taking effect of this act, apply to the state board of accountancy for registration as a public accountant, and the state board of accountancy, upon the production of satisfactory evidence that such applicant was engaged in the practice of public accounting and maintaining an office as a public accountant in the state of California at the time of the passage of this act, shall register such person, firm, co-partnership, association or corporation. Such registration shall be conclusive evidence of the right of such person, firm, co-partnership, association or corporation to engage in the practice of public accounting in the state of California, but such registration shall not be construed in any way as indicating that the state board of accountancy has approved the educational and professional experience qualifications of the registrant.

Section 7. It shall be unlawful for any person, firm, co-partnership, association or corporation to assume or use the style or title of public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that such person, firm, co-partnership, association or corporation is engaged in the practice of public accounting or entitled to engage in the practice of public accounting in the state of California; *provided* that the inhibitions of this section shall not be construed to apply to any person, firm, co-partnership, association or corporation who at the time of the passage of this act was engaged in the practice of public accounting and maintaining an office as a public accountant in the state of California.

Section 8. Nothing contained in this act shall be construed to prohibit the employment by a certified public accountant, or by any person, firm, co-partnership, association or corporation permitted to engage in the practice of public accounting in the state of California, of persons who have not received certificates of qualification admitting them to practice as certified public accountants, as assistant accountants or clerks, provided that such employees work under the control and supervision of certified public accountants or public accountants, and do not certify to any one the accuracy or verification of audits or statements, and provided further that such employees do not hold themselves out as engaged in the practice of public accounting.

Section 9. Any person who, at the time of the passage of this act, is the holder of a valid and unrevoked certificate issued by the state board of accountancy under the provisions of chapter two hundred thirteen of the statutes of 1901, approved March 23, 1901, as amended, shall be granted by the state board of accountancy a certificate of qualification under the provisions

of this act admitting him to practice as a certified public accountant.

Section 10. Every person to whom has been issued a certificate of qualification admitting him to practice as a certified public accountant, shall be governed by and conform to the rules of professional conduct adopted by the state board of accountancy, and the board shall have power to revoke a certificate of qualification for a violation thereof as hereinafter provided.

Section 11. The governor shall appoint five persons, all of whom shall be competent and skilled accountants holding valid and unrevoked certificates as certified public accountant heretofore issued under the provisions of chapter two hundred thirteen of the statutes of 1901, approved March 23, 1901 as amended, and who shall have been engaged in practice as certified public accountants in this state for not less than five consecutive years immediately preceding such appointment, to constitute and serve as a state board of accountancy. The members of such board shall, within thirty days after their appointment, take and subscribe to the oath of office as prescribed in the political code, and file same with the secretary of state. They shall hold office for the term of four years and until their successors are appointed and qualified; save and except that one member of the board first to be appointed under this act shall hold office for one year; one for two years; one for three years and two for four years. Any vacancies that may occur from any cause shall be filled by the governor for the unexpired term, provided that all such appointments must be made from the roll of certificates of qualification issued and on file in the office of the governor. The state board of accountancy shall have its office in the city and county of San Francisco and its powers and duties shall be as follows:

(1) To appoint from among its members a president and a secretary to hold office at the pleasure of the board. The board shall fix the compensation of its secretary. No compensation shall be paid to the members of the board for their services in the discharge of their official duties, but the board may, in its discretion, allow and pay to its members all amounts expended for traveling and other necessary expenses while engaged in such official duties.

(2) To employ legal counsel and clerical assistance and to fix the compensation of same, and to incur such expenses as may be deemed necessary to carry into effect the provisions of this act.

(3) To formulate rules for the government of the board and for the examination of applicants for certificates of qualification admitting such applicants to practice as certified public accountants.

(4) To hold written or oral examinations of applicants for certificates of qualification at least semi-annually.

(5) To formulate a standard of educational and professional experience as a requirement for the issuance of a certificate of qualification.

(6) To issue certificates of qualification admitting to practice as certified public accountants, to such applicants as may in the judgment

of the board conform to the educational and professional experience standard formulated by the board, and who are also, upon examination, found to be qualified in a knowledge of "theory of accounts," "practical accounting," "auditing," "commercial law" and other related subjects.

(7) In its discretion, to grant certificates of qualification admitting to practice as certified public accountants, to such applicants who, being in all other respects qualified under this act and under the rules of the board and its educational and professional experience standard, shall be the holders of valid and unrevoked certificates as certified public accountants, or its equivalent, issued by or under the authority of any state or territory of the United States, or of the District of Columbia; or who shall hold valid and unrevoked certificates or degrees as certified public accountants or its equivalent, issued under authority granted by a foreign nation; when in the judgment of the board, the requirements for the issuance or granting of such certificates or degrees are substantially equivalent to the requirements established by this act.

(8) To charge and collect from all applicants for a certificate of qualification a fee, not to exceed twenty-five dollars (\$25.00), and to require renewal of all such certificates annually on the second day of January, and to charge and collect for such renewal a fee not to exceed five dollars (\$5.00).

(9) To formulate rules of professional conduct for certified public accountants and to have power to enforce same.

(10) The board shall have the power to revoke any certificate of qualification issued under the provisions of this act, for the violation of its rules of professional conduct or for other cause, provided that written notice shall have been mailed to the holder of such certificate not less than twenty (20) days before any hearing thereon, stating the cause of the contemplated action and appointing a day for a full hearing thereon by the board, and provided further that no certificate of qualification issued under the provisions of this act shall be revoked until such hearing shall have been had, except for failure to renew such certificate and to pay the renewal fee therefor. At any such hearing the board shall have power and authority to merely officially censure the holder without revocation of the certificate. All such hearings shall be public, and the board shall have power to summon witnesses and to require their testimony under oath or affirmation. The board may institute proceedings for the revocation of a certification of qualification, either upon its own motion or upon charges and complaint filed with the board by any person. Four concurring votes of the board shall be required for the revocation of any certificate of qualification. Three concurring votes shall be required for the official censure of the holder of any certificate of qualification.

(11) Within sixty days after the taking effect of this act and the appointment of the board as herein provided, the board shall formulate rules for the registration of those persons, firms, co-partnerships, associations or corporations,

who, not being holders of valid and unrevoked certificates as certified public accountants issued under the provisions of chapter two hundred thirteen of the statute of 1901 approved March 23, 1901 as amended, and who, having at the time of the passage of this act, been engaged in the practice of public accounting and maintaining an office as public accountant in the state of California, shall, under the provisions of section 6 of this act apply to the board for registration as public accountants. The board shall maintain in its office a register of all persons, firms, co-partnerships, associations or corporations who shall have made application for such registration and have complied with the rules of registration adopted by the board.

(12) The board shall report annually to the governor on or before the first day of December, all certificates of qualification issued or renewed and all certificates revoked.

Section 12. All fees collected on behalf of the state board of accountancy, and all receipts of every kind and nature, shall be reported at the beginning of each month, for the month preceding, to the state controller, and at the same time the entire amount of such collections shall be paid into the state treasury and shall be credited to a fund to be known as the "state board of accountancy contingent fund," which fund is hereby created. Such fund shall be solely for the use of the state board of accountancy and out of it shall be paid all salaries and all other expenses incurred in the carrying into effect of the provisions of this act; *provided*, that no expense shall be incurred beyond the available balance in said fund, and that no part of the expenses of the state board of accountancy shall ever be paid out of any other fund in the treasury of the state of California. An amount not exceeding five hundred dollars (\$500.00) may be drawn from the contingent fund, to be used as a revolving fund where cash advances are necessary; but expenditures from such revolving fund must be substantiated by vouchers and itemized statements at the end of each fiscal year, or at any other time when demand is made therefor by the board of control.

Section 13. Any certificate of qualification issued under the provisions of this act to a person not a citizen of the United States, shall be revoked five years from the date of its original issuance; *provided* that if the holder of such certificate shall, not less than five years from the date of its original issuance, comply with the naturalization laws of the United States and acquire citizenship therein, and shall furnish to the state board of accountancy evidence of such naturalization as a citizen of the United States, then and in that event such certificate shall not be revoked except as otherwise herein provided.

Section 14. Any certificate of qualification issued under the provisions of this act shall be forfeited for the failure of the holder to renew same and to pay the renewal fee therefor to the state board of accountancy within thirty days after demand for such renewal fee shall have been made by the state board of accountancy.

Section 15. Any violation of the provisions of this act shall be punishable in the form and

manner provided for the punishment of misdemeanors under the provisions of section 19 of the penal code.

Section 16. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not effect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional.

Section 17. Chapter two hundred thirteen of the statutes of 1901, being "An act to create a state board of accountancy and prescribe its duties and powers; to provide for the examination of and issuance of certificates to qualified applicants, with the designation of certified public accountant; and to provide the grade of penalty for violations of the provisions hereof," approved March 23, 1901, as amended, is hereby repealed.

Section 18. This act shall be known and cited as the "California accountancy act."

## **NEWS OF STATE BOARDS OF ACCOUNTANCY**

### **Alabama**

New rules and regulations adopted by the Alabama state board of public accountants have been published in a twelve-page booklet which contains, in addition to the rules and regulations, a list of the member of the board, a copy of the state law and court decisions upholding the law. Copies of this pamphlet may be obtained from Francis P. Latady of Birmingham, secretary and treasurer of the state board.

### **Connecticut**

The Connecticut state board of accountancy conducted examinations November 13th and 14th, for certified public accountant registration. Announcement of those to whom certificates are awarded as a result of this examination will be made later.

### **District of Columbia**

Additional holders of District of Columbia C. P. A. certificates announced by the district board are: Sigmund Ehrlich, Maurice A. Martin, Moore C. McIntosh, Bert P. Newton, Barney Robins and Clifford M. Stoy. The September bulletin of the Institute contained a list of forty-six holders of district certificates.

### **Louisiana**

The state board of certified public accountants of Louisiana has issued a pamphlet containing its by-laws, rules and regulations and a copy of act 136 of the legislature of the state of Louisiana of 1924.

### **Massachusetts**

The department of civil service and registration of Massachusetts announces that an examination for the degree of certified public accountant will be held on December

10th and 11th at Ford hall, 15 Ashburton place, Boston. The department will publish shortly its annual report.

### **New York**

A list of candidates recently certified in New York includes the following names: John William Abney, Meyer Bailey, Max Mack Baller, Morris Barasch, Alexander H. Beard, Harry Bluming, Benjamin Brown, John Wadsworth Burrows, Eugene Joseph Callahan, Jr., William Lovell Carter, Thomas Francis Concannon, Arnold William Cramer, James S. Crawford, Edward Francis Eaton, Harry Abraham Finkelstein, Cornelius Lawrence Flynn, Harry Fogelson, Max Furman, Maurice P. Geller, Abraham I. Gladstone, Edwin Joseph Glocke, Sidney Goodfriend, David Hyett, Edwin Joseph Israel, Louis Allan Kruglov, Herbert Leinwander, Morris Levinson, Alexander MacLean MacNicol, Irving Milchman, Aaron Morris Nadler, Robert Moore Overall, Philip H. Pittluck, Abraham Rappaport, Charles Albert Reydel, Joseph Rochlin, James H. Silliman, Menahem Stim, Sidney David Wachtell, Karl John Wiemer, Williams S. Zinman.

### **Pennsylvania**

The Pennsylvania state board conducted its annual examination for certified public accountant registration on November 3rd, 5th and 6th. Ninety-five candidates, the largest number to appear at any annual examination, took the test. Reports as to results will be made to the superintendent of public instruction within sixty days.

### **Virginia**

The Virginia state board of accountancy held its annual examination in Richmond,

October 21st, 22nd and 23rd. Forty-eight men appeared for examination, the largest class of applicants in the history of the board. The papers are now being graded and announcement will be made later of the persons to whom certificates are granted as a result of this examination. The state board consists of: Fred B. Hill, chairman;

A. M. Pullen, secretary; J. A. D. Parrish; Thomas O. Moss, attorney and William L. Price, educator.

### **Texas**

A printed list, official in character, of the certified public accountants of Texas has been issued under date of June 30, 1924. There are approximately 167 names.

## **NEWS OF LOCAL SOCIETIES**

### **Colorado Society of Certified Public Accountants**

At the annual meeting of the Colorado Society of Certified Public Accountants held at the Metropole hotel in Denver, Colorado, on September 30, 1924, Louis C. Linck was elected president; Leon Williams, first vice-president; George Best, second vice-president; Tom Redington, third vice-president; George T. Wells, treasurer; T. R. Young, secretary. The following directors were elected: F. H. Bentley, R. M. Crane and Ralph Mayo. Among other things discussed at the meeting was a plan for the revision of the procedure in the filing of income-tax appeals.

### **State Society of Certified Public Accountances of New Jersey**

New constitution and by-laws were adopted by the State Society of Certified Public Accountants of New Jersey at a meeting at the Newark athletic club, October 17th.

The most important changes to go into effect with the new constitution and by-laws are an increase of dues for both fellow and associate members; improved methods governing the election of members, trustees and officers; and provision for a much smaller board of trustees than in the past. The board of trustees will hold three meetings annually under the new by-laws; members will also met thrice yearly. Two vice-presidents instead of one will be elected upon the expiration of the terms of the present officers.

The following new members were elected:

*Fellows:* Harold A. Eppston, Edgar W. Stanton, Byron C. Wilcox, Frank A. Moretti, Lawrence P. Carron.

*Associates:* Theodore Corey, Robert Caruba, Thomas N. Clark.

### **North Carolina Association of Certified Public Accountants**

The North Carolina Association of Cer-

tified Public Accountants met October 19th for the purpose of changing the annual meeting of its body from Chapel Hill to Greensboro. The date for the meeting at Greensboro was set for December 12th and 13th at the O. Henry hotel. A meeting of the Charlotte chapter was held October 24th at the chamber of commerce.

### **Rhode Island Society of Certified Public Accountants**

The Rhode Island Society of Certified Public Accountants met October 20th. One of its most important actions was the organization of a committee on public affairs, which will endeavor to secure action on all matters endorsed by the American Institute of Accountants. It will interest itself also in local affairs. The newly appointed committee is composed of Lewis G. Fisher, Wilfred L. Hagerty, Chester R. Union, William H. H. Moies and George B. Clegg. The Rhode Island society endorsed the action of the Institute in advocating the appointment of certified public accountants to the United States board of tax appeals. A report of the annual meeting of the Institute was made by Mr. Fisher. William H. Scott is president of the society and Ernest L. Goodman secretary.

### **South Carolina Association of Certified Public Accountants**

At the annual meeting of the South Carolina Association of Certified Public Accountants held in Columbia, B. C. Wallace of Greenwood was elected president; H. S. Blanton of Spartanburg, vice-president and N. E. Derrick of Columbia, secretary and treasurer. The retiring president is J. J. Moorman, of Columbia. Committees on publicity, education, legislation and constitution presented reports. The society voted to recommend to the governor that L. A. Searson be reappointed to the board of examiners. C. C. Fishburne and A. C.



Clarkson resigned from membership in the examining board. G. E. Olson and L. L. Wilkinson were recommended to fill these vacancies.

### **Texas Society of Certified Public Accountants**

The annual meeting of the Texas Society of Certified Public Accountants is announced for November 15th at Fort Worth. Charles A. Wheeler, president of the chamber of commerce, will greet the accountants, and the response will be made by Joseph E. Hutchinson of Dallas. An address is to be delivered by H. C. Burke of Fort Worth, president of the Texas state association of wholesale credit men on *The Value of Certified Statements in Extending Credit*. C. H. Sinex of Fort Worth, vice-president of the southwestern group of building and loan associations and past

president of the Texas league of building and loan associations, will speak on *What the C. P. A. Certificate on Building and Loan Association Statements Means to the Investing Public*. Election of officers and directors will be held in the afternoon. A banquet and dance are planned for the evening.

### **Wisconsin Society of Certified Public Accountants**

At the annual meeting of the Wisconsin Society of Certified Public Accountants the following were elected directors for the coming year: Carl Penner, S. E. Barry, B. A. Kiekhofner, H. Kuechenmeister, G. A. Einbecker, H. D. Sampson and C. I. Smith. The directors elected the following officers: Carl Penner, president; S. E. Barry, vice-president; G. A. Einbecker, secretary-treasurer.

## **COURT DECISIONS AFFECTING ACCOUNTANCY**

### **Oklahoma**

An important decision on the subject of restrictive accountancy legislation has been handed down by the supreme court of Oklahoma to the effect that the Oklahoma law prohibiting accountants who are not holders of a state certified public accountant degree from practising, is unconstitutional and void. The supreme court upheld the judgment of the trial court. The case is now before the appellate division.

Action was brought by the state under the law of 1917 to prevent two accountants individually and as co-partners from practising as professional or expert public accountants and auditors for compensation, on the ground that they were not holders of certificates granted by the state. The defendant accountants held that the public accountancy act of Oklahoma does not by its terms prohibit the exercise of the profession by uncertified accountants but, if so, then that act, in so far as it seeks to prohibit the practice of that profession by those who have not received certificates from the state, is unconstitutional and void.

The accountants against whom action was taken held through their attorneys that the act deprived them of their liberty and property without due process of law; that it deprived them of their inherent right to liberty, the pursuit of happiness and enjoy-

ment of the gains of their own industry; that it impairs and disparages the inherent rights of the defendants to contract in matters of private concern and in which the public at large and the public welfare, peace, health and safety are not concerned or involved; that the act is violative of the bill of rights in that in effect it attempts to create and does create a monopoly in auditing and accounting; that it attempts to create an association of accountants and auditors and to grant thereto individual and exclusive rights, privileges and immunities; that it contravenes the spirit of the constitution in that it purports to grant certain arbitrary power and authority to the state board of accountancy and lodges with that board an unlimited discretionary power to permit certain of the citizens of the state to engage in auditing and accounting to the exclusion of others, and seeks to delegate an assumed power of the legislature to the board of accountancy to establish rules and regulations and arbitrarily make additional requirements to those required by the statute and thereby to discriminate against one citizen of the state in favor of others; that it is in an unlawful attempt upon the part of the state to exercise police power concerning matters which in no way affect the public peace, health, safety or general welfare and without any public necessity therefor.

Judge Ray in his decision stresses the fact that the defendants were not practising their profession for the state or any of its sub-divisions or municipalities.

The state in presenting its case against the accountants contended that the enactment of the law was a legitimate exercise of the police power of the state and not violative of the constitution or any of its provisions.

The defendants admitted that the accountancy act in so far as it requires an examination and provides for the issuance of certificates of qualification is within the police power of the state, but they held that it is invalid in so far as it seeks to prohibit accountants who have not stood the examination and received certificates, from following that profession.

Judge Ray in his decision said in part:

"It is agreed by counsel that every state in the union has a law regulating accountancy similar to the law of this state with the exception that, at the time this action was commenced, no other state had attempted to prohibit the practice of the profession by those not certified.

"The validity of the statutes regulating accountancy has been upheld as being within the police power of the state by the courts of Alabama, Louisiana, New York and Texas. In all the cases holding the act within the police power of the state, where its validity was questioned, the courts have particularly pointed out that the regulation did not prohibit one not holding the certificate to practise the profession of accountancy."

Judge Ray quoted from *Lehmann v. State Board of Accountancy* (Ala.) 94, So. 94, as follows:

"The rights of complainant in this case are unlike the rights of a physician, surgeon, dentist, lawyer, or school-teacher, to practise their callings or professions. Under the law, they cannot practise without a certificate or license; and, when their license or certificate is revoked, they are thereby prevented from practising their profession at all. In the case of accountants, however, this is not true. They are not required to obtain a certificate or license to practise their calling, but obtaining the license or certificate is purely voluntary on their part. Nor does the revocation or cancellation of the license or certificate, when once issued, bar or deprive them from further or longer practising their chosen calling. The license in their case is but a certificate of the board issuing it as to their competency and fitness. It is not at all a requisite to the practise of their calling, though it may be true, and doubtless is, that the certificate or license, being an authoritative recommendation or certification of a legally constituted board as to efficiency and qualifications, has some value."

After making references to similar decisions, Judge Ray said:

"It will be observed in all these cases the courts went no further than to say that the legislature had the right to regulate this profession to the extent it did."

Judge Ray devoted a considerable portion of his decision to a discussion of the police power of the state and the extent to which it could be constitutionally applied. He quoted also from writings of a prominent accountant as to the uses of accountancy and drew the deduction that from the description of the practice of accountancy given by prominent accountants themselves the state was not justified in exercising its police power to the extent of depriving accountants of the right to practise unless they held a degree of certified public accountant. Concerning the degree of certified public accountant, Judge Ray said:

"These certificates are recognized as of value to those holding them and, in a sense, may be said to be a substitute for a well-earned reputation acquired by giving satisfactory services by an expert accountant to those engaging his services. Those holding a certificate appear to be recognized as having some advantage in that profession over those not holding such certificate. It may also be observed that this character of legislation has been brought about by the activities and influence of members of that profession and not by any public demand or any activity on the part of that part of the public whose business requires the employment of accountants. In other words, the legislation has been brought about by the interests of public accountants for those engaged in the profession and for their interests, rather than for the public welfare."

Summing up his decision Judge Ray said:

"Our conclusion, therefore, is that the act, in so far as it prohibits uncertified accountants from holding themselves out as professional or expert accountants or auditors for compensation or engaging in the practice of that profession, is in conflict with the spirit and express provision of the constitution and void, in this, that it abridges the right of private property and infringes upon the right of contract in matters purely of private concern bearing no perceptible relation to the general or public welfare and thereby tends to create a monopoly in the profession of accountancy for the benefit of certified accountants, and denies to uncertified accountants the equal protection of the laws and the enjoyment of the gains of their own industry. The defendants are not engaged in the exercise of a franchise, but a constitutionally guaranteed right. The trial court, in effect, so held and the judgment should be affirmed."

## OBITUARY

### A. G. Hase

Algernon George Hase, a member of the Institute, died suddenly on October 15th. Mr. Hase was stricken while at the telephone discussing the details of some accounting work in which he was engaged. He died almost instantly. His home was at 114 N. Ave. 54, Los Angeles, California. Mr. Hase was born in Norwich, England, May 9, 1857. He obtained his early education in England. His early accounting experience was gained as assistant to the auditor of the metropolitan street railways, New York, and as secretary and treasurer of a company in Memphis, Ten. He was admitted to the Institute on March 1, 1921, and at that time had had experience as a public accountant covering more than twenty years. Mr. Hase was buried in Stockton, Cal., October 22nd.

### J. Lee Nicholson

J. Lee Nicholson, an Institute member, of Los Angeles, California, died suddenly November 2nd in San Francisco.

Mr. Nicholson was a factory cost specialist. His firm was known for its work in industrial engineering and cost accounting upon which Mr. Nicholson began to special-

ize in 1901, twelve years after beginning practice. Mr. Nicholson was a prolific and authoritative writer and speaker on cost accounting. His articles appeared in the leading trade publications and he spoke many times before manufacturers' associations. His first book on cost accounting, *Factory Organizations and Costs* appeared in 1909. Later he wrote *Cost Accounting, Theory and Practice*, which came from the press in 1913. Mr. Nicholson besides holding membership in the Institute was a member of the New York Society of Certified Public Accountants, in which he held several offices. He was formerly a member of the American Association of Public Accountants and was at one time chairman of the committee on terminology. He lectured at Columbia university for several years. Mr. Nicholson was born in Trenton, N. J., September 24, 1863, and held C. P. A. registration in New York. He began his business career as an office boy with a bridge company and later worked for the Pennsylvania Railroad. He served as major in the ordnance department from December 1917, to January 1919. He was at one time president of the National Association of Cost Accountants.

## HERE AND THERE

A. W. Wright announces his resumption of individual practice at 49 Wall street, New York.

Urban F. von Rosen announces the removal of his offices to 816 Hippodrome building, Cleveland, Ohio.

Elkins & Durham announce the removal of their offices to 901 State and City bank building, Richmond, Virginia.

Edward Fraser & Co. announce the admission to partnership of George E. Dell, the new firm name being Fraser, Dell & Co., with offices at 316 Scarritt building, Kansas City, Missouri.

The Canadian Society of Cost Accountants met October 21 in Montreal, with William Carswell, president, in the chair. C. H. Scovell of Boston, spoke on *Costs in a Competitive Market*.

Leslie R. Woodruff announces the opening of an office at 197 Market street, Newark, N. J.

Albert H. Hammarstrom of Clinton, Iowa, has been chosen president of the Iowa Society of Certified Public Accountants.

Richard M. Crane, Ernest D. Bowman, Stanley Spurrier and John H. Courtney have formed a partnership with offices at suite 821 Tradesmens national bank building, Oklahoma City, Oklahoma.

President John B. Niven appointed Russell G. Rankin, and William M. Smith, both of Washington, D. C., to represent the Institute at the meeting of the eastern division of the Chamber of Commerce of the United States of America, October 23rd and 24th in the new home of the national chamber in Washington.

# BULLETIN

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SERIES B, No. 8

### TOLEDO REGIONAL MEETING

The Toledo regional meeting on December 6th, was attended by 150 accountants, business men and bankers, and the dinner which followed it by more than 300, including a large delegation of business men of Toledo.

H. Leo Dalton, chairman of the committee on arrangements, presided at the brief business session which opened the meeting. Cincinnati was chosen as the place for the next regional meeting of this district, to be held in May, 1925. The district includes Ohio, Indiana, West Virginia, Western Pennsylvania and Western New York. The committee on arrangements for the Cincinnati regional meeting was announced as follows: Ernest Roden, H. W. Weiss and G. R. Lamb, all of Cincinnati. This committee has power to add to its number.

It was announced that the roster of the Northern Ohio Chapter is to be issued shortly in printed form, and accountants who wish copies of it were asked to send in their names and addresses on 3 x 5 cards.

The secretary of the Institute, spoke on the aims and accomplishments of the organization.

The assistant secretary for public affairs outlined what has been accomplished by the bureau of public affairs.

An exhibit of a portion of the articles which have appeared in print as a result of the efforts of the bureau of public affairs was on display. This exhibit is available for meetings of societies and chapters, as well as regional meetings.

Ernest Reckitt of Chicago, vice-president of the Institute, presented a paper on *Reports—Their Style and Diction*. Following a recess for luncheon, the programme

consisted of the following: *Directors' Version of an Audit Report*, J. A. Yager, of Toledo; *Staff Preparation and Editing of Reports*, W. H. Bell, New York; *Report Analysis for the Executive*, Chester L. Weberg, Akron; *Report Writing—a Resume*, Carl H. Nau, Cleveland.

Robert C. Dunn, of Toledo, assistant secretary and assistant trust officer of the Ohio Savings Bank and Trust Company, presided as toastmaster at the dinner. President John B. Niven of the Institute, spoke on the *American Institute of Accountants*, Dr. Edmund E. Day, dean of the School of Business Administration of the University of Michigan, spoke on *Business Forecasting*, and Charles M. Trammell, a member of the United States Board of Tax Appeals, spoke on *Procedure and Practice before the United States Board of Tax Appeals*.

Edward Holmes of Toledo had charge of the musical programme, and spoke on *Mechanical Devices for Accountants*, which proved to be a humorous address.

The Northern Ohio Chapter of the Institute was in charge of the meeting. Those who served with Mr. Dalton on the committee on arrangements were: Martin J. Arft, R. A. Hurst, L. T. Konopak and R. J. McIntosh.

### Institute's Co-operation with Credit Men

As a result of the publication by the committee on public affairs of letter-bulletin 2 on *The Crime Tendency* and the activities of members and associates of the Institute in many states in laying the information concerning losses caused by financial crimes before the business men of the country, the Institute has been asked by the

National Association of Credit Men to co-operate with that organization in the efforts which it is making to fight commercial crime, particularly credit frauds.

Early in October an invitation was received from the National Association of Credit Men to name a committee to co-operate with it. This suggestion having been approved by the executive committee of the Institute, President John B. Niven has named a committee of three, to be composed of Arthur H. Carter, chairman, Philip N. Miller and Andrew Stewart. Arrangements are being made for an early meeting with representatives of the National Association of Credit Men.

### **Institute Represented at U. S. Chamber Meeting**

C. A. H. Narlian and H. H. Hahn, of Los Angeles, attended the meetings of the western division of the Chamber of Commerce of the United States at Los Angeles, December 2nd and 3rd, as representatives of the Institute. The general subject for discussion was *Waste and Extravagance in Business Government*.

### **Institute Year Book**

Copies of the 1924 Institute Year Book were mailed to all members and associates December 5th.

### **Board of Examiners**

The Board of Examiners of the Institute has completed its work of rating the papers of candidates for certified public accountant registration, who tried the examination in the various states November 13th and 14th. The results of the examination have been mailed to the state boards.

### **Resolutions by Robert Morris Associates**

The following resolution was passed by the Robert Morris Associates in meeting November, 1924, at St. Louis, Missouri:

The Robert Morris Associates, in regular meeting assembled, send greetings and good wishes to the American Institute of Accountants and record their sincere appreciation of the cordial, whole-hearted coöperation of that great organization in our joint effort to improve the relations between accountants and bankers. Our thanks go also to the member firms who have so materially assisted our committee on coöperation with public accountants and the chairman thereof, Mr. Harvey E. Whitney. It is the earnest desire of this organization that we

may continue to work together for the good of our respective fields of endeavor.

### **Suggested Amendments To Federal Tax Law**

The northern-central division of the Chamber of Commerce of the United States of America at its mid-year meeting in Indianapolis during the week of November 17th adopted resolutions recommending that in the event of the introduction of other amendments to the revenue law of 1924 at the present short session of congress, recommendations be made to the proper committee of congress urging the following amendments:

1. To extend the jurisdiction of the board of tax appeals to all issues arising through the administration of all revenue laws heretofore in effect, and in all cases where the statute of limitations has not run.

2. To provide that in all cases coming before the board of tax appeals the burden of proof shall rest upon the commissioner of internal revenue and shall not be placed on the taxpayer as is the present practice.

Another resolution adopted at the same meeting recommended that in the interest of economy the present provision in the revenue law of 1924 for the levy of a capital stock tax be repealed, and that the revenue thereby lost be recouped if need be through a slight increase in the rate of income tax levied against the incomes of corporations.

E. E. Gore, former president of the Institute, of Chicago, acted as chairman of the committee on resolutions at this meeting. He represented the Chicago Association of Commerce, as well as the Institute.

### **Institute's Part in Drafting Treasury Department Regulations**

In a brief prepared by James Walton, of Pittsburgh, Pa., an associate of the Institute, for presentation before the United States board of tax appeals, reference was made to the part played by the American Institute of Accountants in the drafting of the treasury department regulations for the 1917 revenue act.

This reference said in part:

"Affiliated or consolidated income tax returns were first provided for in the English finance act of 1915. Our own 1917 act had no provision for them, but before the 1917 regulations (No. 41) were published by

the treasury department, the American Institute of Accountants had filed a brief in which it advocated the assessment of federal corporate taxes upon the basis of consolidated returns. Among other things, it was said in this brief—

“If the rule which we advocate (consolidated returns) be adopted the tax will be based on the real facts and determined by the relation between the income and true investment of the group of companies as a whole; and the latter course (consolidated returns) would impose no additional burdens on anyone, since it is the course followed for all practical purposes by the corporations themselves and recognized by bankers, economists and accountants as the only course which reveals the true situation.”

### **Taking a State's Finances Out of Politics**

The Dallas *Morning News* of Dallas, Texas, in its issue of November 12th printed an editorial, *It is an Accountant's Position*, in which the stand was taken that the state of Texas should have a state accountant appointed without exercise of political influence. The editorial is based on a report recently made by Comptroller Lon A. Smith in which he gave it as his judgment, after four years in the office, that Texas needs an accountant and that the establishment of such an office would result in large savings to the state. The comptroller stated that the bookkeeping methods employed by Texas are archaic; in one instance the comptroller's office serves as collector of certain taxes and “is thus put under the peculiar duty of having to audit its own accounts.”

Mr. Smith believes that the legislature, by consulting with such a state accountant, could avoid much of the confusion now existing in the administration of the state's affairs. Under present conditions the comptroller states there is no way of finding out readily what is the amount of delinquent taxes due the state and that prior to his administration “there was not in the state's accounting system a record of the total amount of money that the state owed.” The editorial states that four years in office have taught the comptroller “that the services of a professional accountant of the widest

experience are required to modernize the bookkeeping of the state.”

The editorial intimates that from the report of the comptroller the idea may be gained that the political office of comptroller should be abolished and the work turned over to an accountant such as he recommends. It points out that under the present system as soon as a comptroller really learns the duties of his exacting office, he leaves.

### **The Professional Accountant**

The Illinois Society of Certified Public Accountants prepared and sponsored an article *Your Business and His*, which appeared as a double page display in the December issue of the *Illinois Journal of Commerce*, published by the Illinois Chamber of Commerce.

In part this article said: “The public accountant has come to be of vital importance in the business world during the last few decades. His intimate intercourse with the many types of businesses, and in many cases with numerous companies or firms or individuals in a given line of business gives him an unusual and enviable opportunity of acquiring accurate knowledge of the principles that dominate business in general, and of the governing business principles in any given line of business in particular.

“To the public accountant knowledge of the specific details of the business of any one of his clients becomes a confidential matter, just as is the case with the physician in relation to the details of his patient's health or the lawyer in relation to his client's legal affairs, but like the physician and the lawyer, the public accountant is able, without in any manner betraying the confidence that has been placed in him, to weld the many fragments of specific knowledge together into a structure of fundamental principles that will be useful in other cases.

“This common application of certain business principles to various, perhaps dissimilar, forms of business enterprise is one of the factors that is directly responsible for the success of many of the big business decisions and deals that are made from time to time; that is to say, big business men do not necessarily display an extraordinary sense of originality in their acts, but they do display the ability to apply to their own business the ideas that have proved success-

ful in other cases; they 'cash in' on the ideas of others.

"This application of general principles and facts is availed of to advantage by practically every line of business in the field today, whether it be manufacturing, trading, transportation, or public service.

"There was a time when a certified public accountant had the reputation of being no more than a high-grade bookkeeper, but that time has long since passed. He is now recognized as a real professional man and his particular functions are performed only by one who has received the necessary and sometimes painful training."

Continuing, the article points out that the qualifications which the state (meaning in this instance, Illinois) requires of an accountant before he can become a certified public accountant are of such high character as to render him a valuable safeguard, not only to business in particular, but to the public in general. Some of the duties performed by accountants for financial institutions and their clients are outlined.

In a conspicuous place at the head of the article appears this statement:

"The connecting link in the various chains of business interrelationship is the public accountant, and for this reason the degree of certified public accountant should receive the same protection that the law gives to every other profession."

### **Government Studying Arbitration**

The division of commercial laws of the bureau of foreign and domestic commerce of the department of commerce, under date of November 18, 1924, issued a questionnaire on the subject of commercial arbitration. It has been sent to the leading trade organizations and business men of the country.

The questionnaire contains nineteen questions, which, if answered in full, will give the department of commerce comprehensive information as to the status of commercial arbitration. The committee on public affairs has communicated to the department of commerce the endorsement of commercial arbitration given by the American Institute of Accountants at its annual meeting in Washington in September, 1923, and has outlined the steps that have been taken by the Institute through its bureau of public affairs to advance commercial arbitration. The organization of arbitration tribunals as

a result of activities of various members and associates of the Institute will be reported in detail to the department of commerce; likewise the activities of members and associates who have acted as arbitrators or as counsellors in arbitrated cases.

The letter accompanying the questionnaire of the department of commerce indicates that that department plans to make an exhaustive study of the scope of commercial arbitration activities of various organizations which should result in giving commercial arbitration a decided impetus.

### **"The Annual Audit," a Leaflet**

*The Annual Audit*, a business leaflet published by the Metropolitan Life Insurance Company, as a part of a series issued for the benefit of its policy holders, sets forth in brief form the effects of an annual survey by independent accountants of a given business.

The test made by this insurance company indicated that 70% of its policy holders have outside audits of their businesses.

The leaflet presents the reasons given by business men why they have such independent audits made; the chief benefits professional accountants believe an audit should bring; the means of obtaining the best results from an audit; and an approved form of profit-and-loss account and a balance-sheet.

References are made in the leaflet to the bulletin issued by the federal reserve board in cooperation with the American Institute of Accountants in 1917, known as *Approved Methods for the Preparation of Balance-sheet Statements*. This bulletin is recommended as the best available. Copies of *The Annual Audit* described may be obtained from the insurance company.

### **Discuss Proposed Regional Plan**

At a meeting of accountants held in Los Angeles, November 25th, which was attended by members and non-members of the Institute, there was an informal discussion of the proposal to organize a region to be known as Number 8 under the regional plan presented at the annual meeting of the Institute in St. Louis, and to be composed of California, Nevada and Arizona. The meeting was addressed by John R. Ruckstell, who outlined the plan, after which there was an informal discussion.

## INSTITUTE CHAPTERS

### Maryland

Following the organization meeting, when officers were elected, plans were made by the Maryland Chapter to complete its list of original members. The officers of the chapter constitute a special committee to confer with the Philadelphia chapter of the Institute concerning a regional meeting.

### St. Louis

The St. Louis chapter held a joint meeting with the St. Louis Chapter of the Missouri Society of Certified Public Accountants on November 6th. An account of this meeting will be found in the record of local society activities.

### Texas

A programme of activities for the balance of the year has been adopted by the Texas chapter. The programme includes a dinner in December for members of the profession, whether members of the Institute or not, at which a prepared paper will be presented.

Provision has been made by the Texas Chapter for associate, or auxiliary, memberships. No initiation fee is required of associates. Annual dues are \$2.50 a year for members and associates. The initiation fee for full membership is \$5.

Preparations are under way for the mid-west regional meeting to be held in Dallas in May, 1925. At least four regular meetings are to be held by the Texas chapter—in April and October, for the presentation of prepared papers; in May for the annual meeting, together with an address by some prominent business man; and in November, in joint session with the Texas Society of Certified Public Accountants, whenever so invited; otherwise a meeting as in April and October.

When directors are elected, there is a provision that not more than two shall have been members of the retiring board. Provision is made for three regular committees, finance, publicity, and programme and entertainment. The chapter has expressed its appreciation "of the excellent work being done by the Texas Society of Certified Public Accountants, and recognizes the importance of having the society take the lead in all matters for the benefit of certi-

fied public accountants." The chapter also has pledged its best efforts for the success of the mid-west regional meeting in May, 1925. L. B. Smith, regional director from Texas, is to be general chairman of the regional meeting, and will appoint the necessary committees.

The objects of the chapter, as set forth in the regular by-laws are:

(1) Bringing together the several members of the Institute that they, through mutual understanding and acquaintance, may become more fully conversant with the aims of the Institute in respect of ethics and professional conduct.

(2) Coöperating with the profession in Texas to the end that the business interests of the state may learn, in all dignified ways, of the class of service to expect from professional accountants and their associates.

(3) Holding meetings which shall be open to all members of the profession of accountancy, regardless of their affiliation with any chapter or society; these meetings shall be for the betterment of professional attainments.

The following resolution was offered by W. P. Peter, seconded by C. E. Scales, and unanimously adopted:

Whereas, the Hon. J. L. Chapman, commissioner of banking for the state of Texas, on the 22nd day of October, 1924, addressed a letter to each of the state banks of Texas, with respect to income and profits taxes, and the effect thereon in the handling of the guaranty fund, depreciation, sale of real estate and bad debts; and,

Whereas, the commissioner, while calling attention to the "necessity of a tax audit" and the preparation of "uniform claims," both of which are laudable, has nevertheless, taken especial pains to direct attention to "two firms of accountants, skilled in this particular line of work," to the exclusion of all other accountants; and,

Whereas, the commissioner, while mildly indicating that state banks are at liberty to employ whomsoever they desire, has rather pointedly emphasized the fact that the two firms, named by himself, were much better than the regular licensed certified public accountants of Texas, all of whom appear to be classed by him as "so-called 'tax consultants,'" and,

Whereas, the commissioner recommends the employment of these two firms upon a basis which the treasury department has discouraged for the proper handling of tax claims, as may be seen by reference to T. D. circulars 230 and 326, and in violation of the ethics of the foremost professional societies, both legal and accounting; and,

Whereas, the commissioner fails to note Rule 2



of the United States board of tax appeals, which reads "The following classes of persons may be admitted to practice before the board; (a) Attorneys at law who are admitted to practice before the supreme courts of the states or the highest court of any state or territory or the District of Columbia. (b) Certified public accountants duly qualified under the laws of any state or territory or the District of Columbia." Now, therefore, be it

Resolved, the action of the commissioner of banking for the state of Texas, is not only contrary to public policy, but detrimental to the best

interests of the state banks of Texas as well, in that he ignores the regular licensed attorneys and duly qualified certified public accountants of Texas, the only two classes of persons in Texas who are permitted to practice before the highest tax court, the United States board of tax appeals; and be it further

Resolved, that copies of this resolution be forwarded to the governor of Texas, the commissioner of banking, the commissioner of internal revenue, the United States board of tax appeals, the state banks of Texas, and the principal daily papers of Texas.

## COMMITTEE ACTIVITIES

### Executive

At the November meeting of the executive committee a decision was reached that publication by outsiders of material prepared by the Institute must depend always on permission granted in each case. The matter came up through a request for permission to use some of the Institute's material.

The hundreds of replies received from members and associates in response to the questionnaire concerning the willingness of the Institute membership to take out indemnity insurance were considered. It was found that a majority of those who replied expressed a willingness to take out such insurance. The subject was referred for further consideration at the next meeting.

A suggestion from the committee on public affairs that the Institute participate in the observance of management week in 1925 was referred to the president and the chairman of the committee on public affairs for such action as might seem desirable.

### State Legislation

The committee on state legislation is considering a draft of a proposed model form of certified public accountant law, which will be in effect a revision of the model law adopted by the Institute in 1916, on which the majority of the existing state laws are based. The model bill which will be drafted by the committee on state legislation will probably contain restrictive provisions. The movement toward restrictive legislation has gained considerable impetus. A measure containing such provisions is to be introduced in the legislatures of California, Oregon and Washington. The text of this measure was printed in the Novem-

ber bulletin. The Maryland law, the Louisiana law and the law of Alaska are all steps in this direction. The McGinnies bill, which passed the New York state legislature, only to be vetoed by Governor Smith, was also restrictive in its provisions. The definition of public practice is one of the important factors in the preparation of accountancy legislation which is to be restrictive in character.

Lewis G. Fisher, of Providence, chairman of the committee on state legislation, will welcome suggestions from members and associates.

### Special Committee on Public Affairs

In an effort to complete its budget of \$30,000 for the current fiscal year, the committee on public affairs has sent out a second appeal for support to members and associates of the Institute who have not contributed. The committee hopes to complete this part of its work shortly.

A third letter-bulletin is being prepared, and will be issued soon.

The committee met November 26th for the first time since the appointment of its new members and spent four hours mapping out a programme for the immediate future.

Closer relations are to be established with chapters, state societies and other accountants' organizations which desire to work in cooperation with the committee.

Members and associates of the Institute are to be asked to report each month, on blanks to be supplied for that purpose, concerning their public service activities—speeches made, articles published, and activities as members of other organizations.

The preparation of an exhibit of publications, clippings and other material gathered by the committee in its work was authorized.

An exhibit was prepared and sent to the Toledo regional meeting.

An effort is to be made to obtain photographs and sketches of members and associates to be used by the committee.

Several requests have been received by the committee for speakers on the subject of commercial arbitration and on the crime tendency. The committee will be glad to hear from members and associates who are willing to speak on these subjects.

Requests are received occasionally from business organizations for extra copies of the official list of members and associates published under date of July 10, 1924. A firm in Passaic, N. J., in requesting a second copy of the list, said that it had occasion to refer to it frequently and found it of considerable help in its credit department. The committee has kept careful record of those to whom the list was sent and when a revised list is published, about the first of the year, will place copies in the hands of those who received the first list.

The endorsement of the Maryland Association of Certified Public Accountants was given letter-bulletin 2 on *The Crime Tendency* at a meeting November 11th, when the subject matter was presented. Practically the entire session was devoted to a discussion of the nation-wide effort on the part of the Institute to reduce losses caused by financial crimes.

The Grand Rapids Association of Commerce has notified the committee that its board of directors has voted to set up an arbitration tribunal in Grand Rapids. A study of the Michigan arbitration law is being made. The Grand Rapids committee learns that under the existing statutes it is possible to use arbitration to a certain extent. Plans are being made to seek an amendment to the state law under which disputants may be prevented from withdrawing once they have submitted a case to arbitration, and under which decisions of arbitrators will have full power and effect of court decisions.

A request has been received by the committee from the national vigilance committee of the Associated Advertising Clubs of the World as to how the national vigilance committee can coöperate in reducing losses due to financial crimes. The committee on public affairs has outlined a plan by which the national vigilance committee may assist in

placing copies of letter-bulletin 2 in the hands of business men.

Reynold E. Blight, an Institute member of Washington, D. C., wrote the committee on public affairs, saying in part:

"The policy of mentioning the American Institute of Accountants on every appropriate opportunity is a most excellent one. For some years I have followed this custom, as I have made various addresses on accountancy subjects in public. The ignorance of the average business man concerning the work and professional standards of the accountant is deplorable. Even bankers frequently show a lack of knowledge that indicates a failure to understand the accountant and his work."

The committee on public affairs requests members and associates whenever they appear in public to make mention of their affiliation with the Institute. Mention of this relationship should be made also whenever possible by the introducing officer. This request is not a new one, but the committee believes this practice to be one of such great importance that it wishes to impress it upon all members and associates.

Edwin H. Wagner, of St. Louis, a member of the committee on public affairs, is one of the charter members of the Missouri Association for Criminal Justice, which was organized in Jefferson City, Mo., November 15th. He signed the charter as representing the committee on public affairs of the Institute, also the Missouri Society of Certified Public Accountants. The newly organized association is composed of lawyers and bankers. Mr. Wagner at the organization meeting presented the contents of letter-bulletin 2 on *The Crime Tendency*.

A number of accountants who have received copies of letter-bulletin 2 have interested themselves in the Institute to the extent of expressing a desire to join. Many requests for information as to qualifications for membership have been received as a result of the publication of this letter-bulletin.

Following the declaration of the election as members and associates of the Institute of a group of candidates as announced in the November bulletin, the bureau of public affairs prepared and sent out articles to the newspapers in the home cities of the new members and associates, announcing their election. These articles call attention to

the aims and purposes of the Institute and to the qualifications for admission.

The committee on public affairs of the Pittsburgh chapter of the Pennsylvania Institute of Certified Public Accountants is cooperating with this committee of the Institute in planning the work to be undertaken. This is one of several accountants' organizations which has expressed a willingness to cooperate with this committee.

Arthur E. Phillips, a certified public accountant of Winnipeg, Canada, is cooperating actively with the committee on public affairs in the distribution of letter-bulletins 1 and 2 on *Arbitration* and *The Crime Tendency* respectively. Through his efforts the principal papers and trade organizations of Canada have received information concerning these publications. Among the papers to which he has contributed synopses of the letter-bulletins are *The Manitoba Free Press*, *The Winnipeg Tribune*, *The Monetary Times*, published in Toronto; *Canadian Finance*, published in Winnipeg, and *The Canadian Chartered Accountant*. Among the organizations to which he has submitted information concerning the letter-bulletins are the Canadian Manufacturers association, the Employers' Association of Manitoba, and the Canadian Credit Men's Trust association.

L. A. Oates, of Miami, an associate of the Institute, brought about the publication in *The Miami Tribune* of an editorial a column in length descriptive of the contents of letter-bulletin 2 and of the efforts of the Institute, through its committee on public affairs, to reduce losses caused by financial crimes. He also brought about the publication of an article in *The Miami Daily News* in the form of a letter to the editor. The committee believes that the writing of letters of this kind to editors of newspapers or other publications is an effective way of presenting its views to the public.

Some surety companies which obtained supplies of letter-bulletin 2 several months ago for distribution are now ordering additional supplies. Indications are that a third edition of letter-bulletin 2 will be required to meet the constant demand for this publication.

The Boston office of a large surety company has asked permission of this committee on public affairs to reprint a portion of letter-bulletin 2. It submitted a manuscript for the approval of the committee.

Permission for this use of the subject matter of letter-bulletin 2 was given. The Institute will receive full credit.

*The Canning Trade*, published in Baltimore, printed a notice to the effect that it was mailing from its office to all the members of the Cannery Association a copy of letter-bulletin 2.

The Cleveland Branch of the New York Indemnity Company asked permission of the committee to use part or all of letter-bulletin 2 for distribution among its clients. Irving B. Hexter of that office wrote that he believed the letter-bulletin contained a real message.

Inquiries for copies of letter-bulletin 2 have been received from the Chicago representative of the Southern Surety Company and the Chicago representative of the Fidelity & Deposit Company of Maryland.

The secretary of the Kansas City Rotary Club, Kansas City, Missouri, requested that a dozen copies of letter-bulletin 2 be sent to him personally accompanied by twelve articles for newspaper use.

The National Association of Dyers and Cleaners printed in its September *Review* three columns of excerpts from letter-bulletin 2 on *The Crime Tendency* including preventative measures suggested by surety companies and others to reduce losses due to financial crimes.

Henry Hunter Bayne, an Institute member in Manila, Phillipine Islands, has requested extra copies of letter-bulletin 2. The suggestion has been made to him that he bring about the publication of newspaper articles in the Phillipines descriptive of letter-bulletin 2 and the purposes for which it was issued.

A request for 10 copies of letter-bulletin 2 has been received from the Compressed Gas Manufacturers Association of New York for distribution among its officers.

Edward E. Gore, former president of the Institute, spoke before the Baltimore Association of Commerce Wednesday, December 10, on *The Crime Tendency*. A committee was organized by the Baltimore Association of Commerce to study this subject, following the publication of letter-bulletin 2 by this committee. G. Harvey Porter, an associate of the Institute, was named chairman of this committee.

## NEWS OF STATE BOARDS OF ACCOUNTANCY

### Arizona

The Arizona State Board of Accountancy is formulating rules and regulations. They will be published later in the bulletin.

### New Hampshire

The accountancy board in New Hampshire is the board of bank commissioners. It is made up of three members appointed by the governor with the approval of the council, one of whom is designated as chairman in his appointment. Their terms of office are six, four and two years and upon the expiration of those terms appointments are made for six years. No more than two members of the board shall be members of the same political party. There are under the supervision of this board 53 savings banks, 15 trust companies, 28 building and loan associations, one credit association, one Morris Plan Bank, five small loan companies and one telephone workers credit union. The board also examines the state treasurer's accounts. The board also has charge of the registration of public accountants. The present members are Frederick S. Nutting and Leon O. Gerry. No appointment has been made to fill the vacancy caused by the death of James O. Lyford.

### New Jersey

The secretary of the New Jersey state board of accountancy, William H. Compton, reports that the following persons have recently received the C. P. A. certificate of that state: Adolph F. Schumacher, Robert W. Williams, Andrew Nelson, Wallace Jeffrey, Robert Caruba, M. George Greenberg, Ludwig Herrman, William R. Greenway, George F. Fahrenholz, Floyd S. Zuckschwert and Alexander Grosken.

### New York

Following is a list of persons who have recently received the C. P. A. degree of New York: Emil Joseph Bejsovec, Bernard Bercu, Morris Davidson Fendell, Alexander M. Freedman, Max A. Goldberg, Abraham J. Krasner (Krasnopolksky), Leon G. Kupperman, Sidney J. Landay (Landarsky), Nathaniel Levine, Jesse Nadler, Harry L. Oshman, Frederick Germanicus Ott, Walter Rosenberg, Joseph L. Schick, Martin Schwaeber, Irving S. Silbert (Silbersweig),

Max Solomon, Samuel Ullman, Emanuel M. Weintraub, Solomon Wittenberg, Roy Andrew Wood, John Lionel Canova, Harry William Grell, Jack E. Horowitz, Julius Leonard, Max Lewis Pearl, George Williams.

### Philippine Islands

Accountants in the Philippine Islands who have been granted C. P. A. certificates by the board of accountancy of Manila are: William W. Larkin, D. T. Dikit, Felix Tiongson, Paciano Dizon, Edward Cook, Francisco Dalupan, Enrique Caguiat, Antonio M. Sanchez, Vicente Fabella, James Hernandez, Jose V. Hernandez, Francisco Santiago, Artemio Tulio, Ramon J. Gandionco, Galicano B. Tayag, Jose Conde, Manuel Agregado, George B. Wicks, Tomas Alfonso, Timoteo Paez, Marciana Guevara, Edward George Carrera, Nicanor Reyes, LeRoy McCarty, Irineo Reyes, Ricardo C. Aquino, Charles M. Colton, Raymundo Pangilinan, John Fitzpatrick, Santiago Lindaya, John Ahrendtsen, Jose Ortega, D. M. Fleming, Mauro Rivera, Miss Belen Enrile, Juan Quintos, Inocencio Dumpit, Rufino Melo, E. J. Deymek, Juan S. Ong, Antonio Aquino, Inocencio Monillas, Numeriano S. Aldaba, Rafael Fernandez, Paul A. Weems, Rufino Manotok, Tirso Garcia, Salvador Lagdameo, Irving B. Dexter, Miguel Unson, Vicente Carmona, William W. Garver, C. Barahona, Francisco Coma, H. H. Bayne, James R. Herridge, Charles P. White, P. S. Page, S. A. Warner, Teodoro Borromeo, Angel M. Roman, Panfilo Laconico, Elon Sargent, Luis Dumas, Jose L. Zerruda, Joseph Alfred Stiver, Marcelino Facum Taberna, Fernando Ruiz Zorrilla, Isabelo M. Umali, Adolfo Fabella, Sancho Zalamea, Jose Gonzales, Lucerio Arcadio, Jose Turiano Santiago.

### Virginia

Forty-eight applicants took the examination for C. P. A. registration at the state capitol, Richmond, Virginia, October 21, 22, and 23, 1924. Six passed in all subjects and eleven were conditioned in three subjects and will be entitled to re-examination in the subject in which they failed. Following is a list of successful candidates: Alexander T. Hull, John Howard Bradford, Hugh Lee Dickerson, Herbert A. Wells, Leland L.

Miller and W. J. L. Patton. The present board consists of: Frederick B. Hill, C. P. A. chairman, Norfolk; A. M. Pullen, C. P. A., secretary-treasurer, Richmond; J. A. D. Parrish, C. P. A., Roanoke; Thomas O. Moss, Richmond, and Wm. L. Prince, Richmond.

### **Washington**

Forty-four applicants took the recent examinations for the certified public accountant certificate in the state of Washington. Of this number four persons were granted certificates as follows: James P. Rintoul, Wallace O. Greig, J. D. Kidder and George Raknes. Following are those who passed in auditing and commercial law: C. E. Alexander, Josephine R. DuCoe, V. Heydendahl, I. Norman Jarvis, J. G. Jenkins, William M. Ryan, Harold L. Scott, James D. Scott, John Patison, Winfield G. Boyd, G. B. Brown, Edwin A. C. Hess, Leslie F. McGee, W. R. More, H. F. Sexton and C. W. Whitman.

### **Winnipeg**

The Winnipeg (Man.) *Free Press* of Saturday, November 1, 1924 contains the following list of accountants in Winnipeg who are eligible as bank auditors, pursuant to sub-section 4 of section 56 of the bank act: Jos. S. Anderson, Thomas Anderson, Aubrey Ashley, Samuel G. Brodie, David Cooper, Charles D. Corbould, Keith W. Drennan, Jas. Dunwoody, Alex. J. J. Fanshaw, Chas. F. Gabriel, Fred G. Gilbert, Wm. D. Glendinning, James Grant, William Gray, Robert Hayward, William A. Henderson, W. W. Hollands, Hugh Howat, Wm. Jex, George Laing, Geo. Loos, W. D. Love, Walter J. Macdonald, James Millar, H. J. H. Palmason, John Parton, D. A. Pender, Arthur E. Phillips, Ewen Rankin, E. S. Reade, J. Davidson Reid, W. S. Ronald, W. G. Sanburn, T. W. Saul, G. C. Sharp, John J. C. Shelly, Henry Slasor, J. F. Stirling, F. C. S. Turner, C. E. White, J. R. Woodley, J. Gilmour Wylie, T. H. Webb, David Young and J. R. Young.

## **NEWS OF LOCAL SOCIETIES**

### **Society of Certified Public Accountants in Florida**

The organization of the Society of Certified Public Accountants in Florida has been completed. The names of twenty-three members of the society were announced as follows:

R. W. Bennett, George H. Ford, John A. Hall, Walter Mucklow, F. M. Williams, T. G. Hutchinson, all of Jacksonville; and John A. Hansbrough of Tampa, all of whom are members of the Institute; W. M. Abernethy, Jacksonville, H. V. Foy, Tampa, and L. A. Oates, Miami, who are associates of the Institute and W. J. Forney, Joseph Hartman, J. M. Jordan, Robert Pentland, Robert Roullier, all of Jacksonville; Frank C. Cowles and M. L. Wilkins of Tampa; C. C. Potter, Orlando, and W. L. Scuyler, of Miami. The following are announced as associates of the Florida Society: F. B. Colley, W. G. Cooper, C. H. Goodrich and F. D. Scuyler, all of Jacksonville.

All of the members of the Florida Society are certified public accountants of Florida with the exception of Joseph Hartman, who is a certified public accountant of North Carolina, and John A. Hall, who is certified in Georgia. The officers of the society are:

Walter Mucklow, president; T. G. Hutchinson, vice-president, J. M. Jordan, secretary, and Robert Pentland, treasurer. Committees on publicity, legislation, and professional conduct have been appointed.

An informal luncheon is to be held once a month to be followed by a discussion of some topic of general interest. The first of these luncheon meeting was held November 20th. All the members residing in Jacksonville were present. At this meeting a resolution was adopted to the effect that the society should recommend to the governor of Florida candidates for the next state board of accountancy. Those who will be recommended are the three members of the present board, John A. Hansbrough, Tampa; George H. Ford, Jacksonville; Robert Pentland, Jacksonville.

The publicity committee is to send out letters at intervals over the signature of the society to bankers and business men. These letters will call attention to the advantages and safeguards secured by the engagement of certified public accountants. They will be framed on educational lines. Each letter will be specifically approved by the society before it is mailed and will be accompanied by a list of the members of the society in active practice. Any certified

public accountant practicing in Florida is eligible for membership, which is not confined to those who obtained their certificates in Florida.

### **Illinois Municipal League**

The first municipal accounting conference of the Illinois Municipal League was held at Urbana. The conference resulted in definite action authorizing Professor Morey, on behalf of the Illinois Municipal League, to prepare for the use and guidance of Illinois municipal officials a manual of municipal accounting. A. L. McNabb, of Decatur, commissioner of accounts and finance, presided. Professor Morey addressed the meeting in the morning, the subject of his address being *The Importance of Good Accounting to the City Government*. Two addresses were made in the afternoon. Professor C. M. Kneier university of Illinois, spoke on *State Control of Municipal Finance* and Professor E. J. Filbey, C. P. A., spoke on *Accounts For Special Assessments*.

### **English Speaking Accountants in Paris**

The English speaking accountants practicing in Paris held their quarterly luncheon on November 5th at the Restaurant Drouant, Paris.

H. R. Baylis presided. There was an informal discussion on *Taxation in France*, in which many of the members took part. Arrangements were made for a dinner at which members of the staffs of accountant firms could be present, together with any other English speaking accountants who might be visiting Paris at the time of this dinner, December 12th. A similar dinner was held in November, 1923.

### **New York**

The New York Society of Certified Public Accountants held its second all-day and evening conference at the Waldorf-Astoria hotel, October 15th, with President Homer S. Pace in the chair. Robert H. Montgomery, chairman of the society's committee on legislation, and L. K. Watkins, Buffalo, a member of the committee, both spoke on restrictive legislation. A resolution was adopted instructing the legislative committee to proceed with the preparation and introduction of a bill substantially along the lines of the McGinnies bill.

Homer A. Dunn spoke on club facilities. Interest was shown in the idea of a club for accountants. Efforts are now being made to obtain the views of the members and all other public accountants on the subject of establishing club quarters.

Commercial frauds was the general topic for discussion during the afternoon. Walter E. Sachs spoke on the importance of certification of inventories. James J. Wilson, assistant district attorney of New York county, described the penal statutes relating to commercial crimes. His title was *Legal Means of Reducing Commercial Crimes*.

Harold Dudley Greeley, chairman of the society's committee on violation of C. P. A. laws, described the work of the committee.

Secretary James F. Farrell presented the report of the board of directors which included notice of a proposed amendment to the constitution providing for life membership in the society.

R. H. Towner spoke on *The Relation of the Certified Public Accountant to Surety Bonds*.

At the dinner, Charles D. Hamel, of the United States board of tax appeals, spoke on *Organization and Procedure of the United States Board of Tax Appeals*. Resolutions were adopted expressing the society's approval of the recognition given certified public accountants in admitting them to practice before the board.

The society offered its coöperation to the New York Stock Exchange through a special committee in mapping out a method of procedure under which members of the exchange may conform to the recently adopted rule that all members must have periodic audits of their books.

The names of thirty-five new members elected by the board of directors at meetings held September 23rd and November 7th, are published in the November 29th issue of the society's *News Bulletin*. Two junior members also are announced as having been elected.

### **Association of Railway Accounting Officers of America**

Managers of the freight and auditing departments of the principal railroads in America met in Montreal, October 21-22-23, 1924. These officers form the committee of the Association of Railway Accounting Officers of America. They met

for the purpose of formulating and standardizing rules and forms used in the departments of the various systems. Their decisions will be placed before the annual convention of the association next year for final ratification.

### **Railway Accounting Officers Association**

The committee on disbursements of the Railway Accounting Officers Association conducted a three-day session in Jacksonville, Florida, beginning October 28th for the purpose of discussing railroad accounting work in an effort to keep methods as uniform and up to date as possible.

### **St. Louis Chapter, Missouri Society of Certified Public Accountants**

A joint meeting of the St. Louis chapter of the Missouri Certified Public Accountants' society and the St. Louis chapter of the Institute was held November 6th at the City Club in St. Louis. Dinner was served prior to the meeting. Twenty-three persons were in attendance at the dinner, and the total attendance at the meeting following was fifty-six. Many juniors attached to accounting staffs were present. The subject for discussion was *Am I interested in Profit-and-Loss Accounting when Conducting a Detailed Balance-Sheet Audit?* T. J. Hargadon opened the discussion. It was agreed that a comparative profit-and-loss account should be included in the working papers, clients' statements being acceptable for the purpose, and that any marked fluctuation in any item should be brought to the attention of the client. No investigation, however, should be made unless on specific instructions from the client. It was agreed also that an auditor was derelict in his duty if the system of internal check was not investigated concurrently with the work of verifying the assets and liabilities, and

any weaknesses should be called to the attention of the client.

### **Texas Society of Certified Public Accountants**

George Armistead, of Houston, Texas, was re-elected president of the State Society of Certified Public Accountants of Texas at the annual meeting November 15th at Fort Worth. F. G. Rodgers, of San Antonio, was again chosen vice-president, and C. E. Scales, of Fort Worth, was re-elected secretary-treasurer. Luke B. Garvin, of Dallas, and H. Virgil Robertson, of Amarillo, were elected members of the board of directors. The officers also are directors. The society endorsed that section of the proposed new city charter of Fort Worth that provides annual department audits by a certified public accountant. An address of welcome was delivered by C. A. Wheeler, president of the Chamber of Commerce. Lloyd B. Smith, of Dallas, responded. H. C. Burke, Jr., of Fort Worth, spoke on *The Value of Certified Statements in Extending Credit*. C. H. Sinex, of Fort Worth, spoke on *What C. P. A. Certificates on Building and Loan Association Statements Mean to the Investing Public*. The 1925 meeting place will not be selected until a month prior to the meeting date, and will be chosen by the incoming board of directors.

### **Association of Texas Railway Accounting Officers**

W. C. Logan, of Fort Worth, was elected president of the association of Texas railway accounting officers November 14th at San Antonio, Texas. Other officers elected were: A. R. Wood and D. W. Bidds, vice-presidents; and F. Eiserloh, secretary-treasurer. The executive committee is composed of H. Lucas, A. E. Myer, A. J. Baird, D. C. Haggard, and M. Eckert. Dallas was chosen as the place for the next annual meeting in February, 1925.

## **COURT DECISIONS AFFECTING ACCOUNTANCY**

### **Colorado**

A decision of interest to accountants is reported from Denver, Colorado. The president of a wholesale grocery company, now defunct, was indicted by the federal grand jury on the charge of using the mails to defraud, the specific allegation being that he transmitted a false balance-sheet through the mails for the purpose of obtaining credit from the National City Bank of Chicago.

The attorney for the defense recently argued a demurrer to the indictment, the demurrer being sustained by the United States district court in Denver. The case was thrown out on the ground that the establishment of a line of credit even through fraud is not an offense if the credit is not used. The following quotations are taken from Judge Symes' decision:

This indictment is under Sec. 215 of the criminal

code, Sec. 10385 comp, Stats 1916.

"It denounces whoever having devised, or intended to devise a scheme or artifice to defraud, or for obtaining money or property by means of false pretenses, etc., and who shall for the purpose of executing said scheme use the mails, etc.

"It is not charged that the victim was to or did make any loans, to, or would, or did give up any money or property to the Spratlen-Andersen Company as the result of this scheme, but simply that in reliance upon the false statements would extend and give a large credit.

"The transactions stop there as far as it appears from the indictment.

"However fraudulent this may be, it is not a scheme to obtain "money or property" as those words are used in the statute because it does not charge that as part of the scheme it was intended that the credit so falsely established was to be used for the purpose of obtaining money or property."

### South Dakota

South Dakota has recently made a new decision regarding the blue-sky law. On June 26, 1924, the supreme court of that state declared in *Winfred Farmers' Co. v. Smith* that one sued on a note for stock, accepted dividends and attending meetings, was estopped to deny he was a stockholder on ground that the blue-sky law was not obeyed. The gist of the decision follows:

In a suit by a corporation against a stockholder on a note for new stock, where defendant subscribed for stock, attended meeting, received dividends and was present at a meeting at which the increase of stock was voted, he was estopped to deny that he was a stockholder on the ground that the blue-sky law was not complied with, in view of rev. code 1919, section 10129, providing it should not apply to an increase of stock sold to stockholders and the fact that it did not contain the provision of section 10146, as added by laws 2d sp. sess. 1920, c. 82, section 4, making void contracts, etc., given for stock sold in violation of law.

### Washington

A recent case involving the assignment of an account was *Lippman v. Ross et al* (Simon, garnishee), decided in the supreme court of Washington on July 2, 1924. The gist of the decision was as follows:

An assignment of an account for price of goods, sent to the purchaser with the goods, directing him to pay assignor's bank, was sufficient assignment to make a subsequent assignment by the bank to its successor valid, as against one garnisheeing the purchaser in an action against the assignor, whether the goods were sold direct or shipped on consignment.

Assignee of account for goods shipped to purchaser is entitled to proceeds of sale if sold direct, and if shipped on consignment, to the paramount and prior right to proceeds, as respects garnishment thereof.

Delivery of goods to third person to hold for pledgee, instead of to pledgee, created a valid pledge, and pledgor's temporary repossession, with pledgee's consent, for purpose of sale, did not defeat it; actual possession by pledgee being unnecessary.

Sale of pledge property while temporarily in pledgor's possession does not defeat pledgee's lien.

### Wisconsin

A book of accounts was involved in the will case of *Wells v. Wells et al*, decided June 3, 1924 in the supreme court of Wisconsin:

Under a mother's will, providing that a record of advances from father to children had been made and was kept in mother's safety deposit box, and that such amounts should be deducted from children's shares, the accounts referred to, though imperfectly kept or erroneous, were conclusive as to amount of advances to be deducted and were admissible notwithstanding st. 1923, section 4189.

To sustain an action in equity for an accounting, the complaint must allege some special and substantial ground of equity jurisdiction, as the need of a discovery, the complicated character of the accounts, or the existence of a fiduciary or trust relation; and it must appear that the remedy at law is inadequate. (*Walter Diehnelt, Inc., v. Root*, 198 N. W. 388.)

## OBITUARY

### D. C. Morris

D. C. Morris, of New York, a member of the Institute, died November 3rd. Mr. Morris was a certified public accountant of Ohio, and was a member of the

American Association of Public Accountants, the predecessor of the American Institute. He became a member of the Institute by virtue of his membership in the American Association.



## HERE AND THERE

V. Frank Banta, an Institute member of Chicago, is the author of an article on *Cost Accounting*, which is running serially in *The Manufacturer's News* published in Chicago. The first instalment was published November 15th.

A. G. Baumgartner announces the opening of an office at 226 West 47th street, New York.

Billings, Prouty & Tompkins of Des Moines, Iowa, have formed a partnership with Edgar E. Walker & Co., of Mason City, Iowa.

Reynold E. Blight, an Institute member of Washington, D. C. recently spoke before the Y. M. C. A. of that city on *The Cultural Value of Accountancy Studies*.

George L. Brutman announces the removal of his offices to 116 Nassau street, New York.

Floyd F. Burchard and Joe L. Lonegren announce the formation of a partnership, under the firm name of Burchard-Lonegren Co., with offices in Minneapolis, Minnesota and Grand Forks, North Dakota.

Coughlin & Coughlin, South Bend, Indiana, announce that John E. Smart has been admitted to partnership.

Theodore A. Crane announces the removal of his office to 80 Maiden Lane, New York.

William Dolge, secretary of the California state board of accountancy and president of the California State Society of Certified Public Accountants, addressed the students of the Accountants Educational Institute, Los Angeles, on November 5th on *The Profession of Accountancy*.

J. Pryse Goodwin of New York, an Institute member, spoke on *The Constructive Viewpoint of the Accounting Profession* before the Worcester, Massachusetts, group of the National Association of Cost Accountants, November 20th.

D. B. Griffin and J. R. Maceo announce the formation of a partnership under the

firm name of Maceo & Griffin, with offices at 501-2 W. T. Waggoner Building, Ft. Worth, Texas.

Jerome W. Hanks announces the opening of an office at 521 Corbett building, Portland, Oregon.

John J. Harrington announces the opening of an office at Room 12, Lawrence Building, Waltham, Massachusetts.

Haskins & Sells announce the opening of an office in the Reichskredit Gesellschaft building, 56 Franzoesische strasse, Berlin, Germany, with Edward A. Kracke as resident partner and Arthur M. Lovibond as manager.

Alberto Heredia of the department of finance of the state of Chihuahua, Mexico, visited Austin, Texas, late in November to make a complete study of the system of accounting used in Texas, with a view to improving the accounting system now in operation in the Mexican state.

Frederick B. Hill & Co. announce the opening of an office in the Johnston building, Charlotte, North Carolina.

Hood & Strong announce the removal of their offices to suite 425, Standard Oil Building, San Francisco, California.

Gray, Hunter & Co. announce the admission to partnership of Russell C. Swope.

Huberfeld & Taub announce the removal of their offices to room 706, 1170 Broadway, New York.

Frederick H. Hurdman, an Institute member of New York, spoke on *Stock of No Par Value*, before the Massachusetts Society of Certified Public Accountants, November 24th, in Boston. He urged the segregation of earned surplus from capital stock. "Business houses failing to accomplish this" he said, "lack a true index to their earning capacity. Failure to make any distinction between earned and capital surplus" he pointed out "may serve to bring about a condition in which dividends paid have exceeded accumulated earnings. Furth-

er, losses may be given the appearance of profits by the adjustments through surplus and re-valuation of property, franchises, and the like, and a healthy tendency exhibited where the reverse may be true." Mr. Hurdman said that the use of no-par-value stock has not corrected the evil of over-valuation, which it was intended to correct. "We still find patents, franchises, leaseholds, and goodwill excessively valued in order to show a large capitalization" he said. The full text of this address will appear in *The Journal of Accountancy*.

Isenberg, Purdy & Co., announce the opening of an office at 120 Broadway, New York.

The Kansas City *Journal Post* in its Sunday book page, November 2nd printed a review of *The Balance-Sheet*, the book written by Charles B. Couchman, and published by The Journal of Accountancy, Incorporated.

Oscar I. Koke announces the opening of an office at 1012 Fidelity Mortgage building, Cleveland, Ohio.

A. D. Lewis, has opened offices at 249 Consolidated Royalty Building, Casper, Wyoming.

F. W. Lafrentz & Company, Hearst Tower building, Baltimore, announce that A. L. Tinsley has become associated with them.

Lybrand, Ross Bros. & Montgomery, announce that George F. Bauer will be associated with Richard Fitz-Gerald in the management of their Detroit office.

Harold T. Manners has been admitted to the firm of McLaren, Goode & Co., of San Francisco.

William H. Mannix, announces the removal of his office to 60 Congress street, Boston.

George W. Marsh, state auditor of Nebraska, is establishing a uniform system of accounting for county treasurers, and has

issued a 32-page booklet which sets forth detailed information concerning this system.

McIntyre & Short of Nashville, Tennessee announce that they have acquired the practise of C. E. Johnston & Co., formerly at 616 Fourth & First National bank building, and have transferred the offices to 105 Eighth avenue, north.

Meyerson & Levine, announce the removal of their offices to 1 Madison avenue, New York.

W. P. Musaus announces the consolidation of his practice with that of William Dolge & Co., as Musaus, Dolge & Co., with offices at 369 Pine street, San Francisco, and 510 Fay building, Los Angeles, California.

The governor of Nebraska has appointed Henry C. Moeller of Omaha as a member of the board of examiners of certified accountants.

Samuel Newberger, an Institute member of New York, N. Y., is the author of an article entitled *The Prevention and Detection of Fraudulent Failures*, which appears in the December issue of the *American Bankruptcy Review*.

R. S. Osborne and W. L. Hausman, of Kansas City, are participating in an eight months' programme arranged for a cost accountants' group of the chamber of commerce. Mr. Osborne is chairman of the group and Mr. Hausman is to address it on a survey of cost accounting field.

Overlock, Burke & Co., announce the removal of their offices to the Continental & Commercial National bank building, 208 S. La Salle Street, Chicago, Illinois.

The Institute of Accountants and Auditors of the Province of Quebec elected officers October 21st at a meeting held at the chamber of commerce as follows: President, C. H. Skelton; first vice-president, L. E. Potvin; second vice-president, T. J.

Coulter; treasurer, H. J. Ross; secretary, Henry Viau; councillors, M. L. J. LaCasse, Horace Howison, M. J. Baker, and J. E. Bedard, of Quebec.

E. C. Reynolds, Taylor E. Cress, C. W. Eader, Robert Wilson and G. A. Watson, are named as the incorporators of the Tennessee Institute of Accountants, incorporation being announced November 20, 1924, at Memphis, Tennessee.

C. G. Robinson & Co., announce the opening of branch offices in the Harry Nichol building, Nashville, Tennessee.

Ruckstell & Land, 703 Market street, San Francisco, California, announce the withdrawal of A. P. Fulmer and the admission of John W. Burrows. The firm now consists of John R. Ruckstell, Hayes Hall and John W. Burrows.

J. B. Scholefield, R. G. Abbey and L. G. Kelly, have been named as a committee by the Salt Lake City Chamber of Commerce to investigate the desirability of organizing an accountants' forum for that Chamber of Commerce.

Lawrence Scudder & Co., announce the opening of a Boston office on November 1, 1924, at 20 Kilby street.

Seward, Stone & Monde announce the withdrawal from the firm of Milton M. Stone. The practice hereafter will be conducted under the firm name of Seward & Monde, with offices at 151 Court street, New Haven, Connecticut.

Stroud, Gibbs & Reynolds, announce the removal of their offices to 6 Beacon street, Boston, Massachusetts.

Gilbert Tison, 1268 Hilyard street, Hugh H. Earle, 1128 Jefferson street, and J. D. Hamelin, 1570 High street, have been named by Mayor Parks of Eugene, Oregon, as a committee to work with the finance com-

mittee of the city council to devise a new accounting system for the city.

C. A. Walker, comptroller of the National Screw & Mfg. Co., announces his association with the firm of Carbaugh & Lewis, Cleveland, on and after December 1st.

Nathan Wald announces the removal of his office to 1170 Broadway, New York.

David E. Weinberger, announces the removal of his office to suite 740, Marbridge building, 1328 Broadway, New York.

Harry Norton Welles announces the opening of offices at 401 Orear-Leslie building, 1010 Baltimore avenue, Kansas City, Missouri, practising under the firm name of Harry N. Welles & Co.

C. Oliver Wellington, an Institute member, of Boston, and a member of the committee on public affairs, addressed the Mohawk Valley chapter of the National Association of Cost Accountants, November 17th at Utica, New York, on *Cost Accounting to Aid Sales Management*. Mr. Wellington spoke also at the first dinner of the National Association of Cost Accountants for the season of 1924-25, at the Boston Chamber of Commerce, November 25th. His subject was *The Basic Method of Inventory Valuation*.

Charles B. Williams, an Institute member of Cleveland, Ohio, addressed the Buffalo chapter of the National Association of Cost Accountants, October 23rd, on *The Management Function in Business*.

Thomas A. Williams and Sidney S. Bourgeois, Jr., announce that, effective October 1, 1924, the firm name of Thomas A. Williams & Co. was changed to Williams & Bourgeois.

Lewis Wintermute, announces removal of his office to 1519-1520 Guardian building, Cleveland.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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SERIES B, No. 9

### Cooperation with War Department

At the invitation of the secretary of war, the president of the American Institute of Accountants has appointed a special committee consisting of W. Sanders Davies, chairman, Arthur W. Teele and William H. West to represent the Institute at a meeting to be held at Washington, January 16th. This meeting is called for the purpose of discussing the general question of construction problems arising under the administration of the war department.

On October 20, 1924, at the request of the secretary of war, thirty civilians who were notably identified with construction during the world war met with officers of the war department and discussed the general construction programme. At that meeting W. Sanders Davies and William H. West were invited to represent accountancy. The ideas of the war department were outlined by officers of the department and thereafter at the suggestion of the secretary of war a permanent organization was effected with the intention of bringing to the assistance of the war department the advice of specialists in the various departments of civilian life. An executive committee consisting of ten members, one of whom is W. Sanders Davies, was elected.

The meeting to be held on January 16th is an outcome of the meeting of October 20.

### American Association of University Instructors in Accounting Annual Meeting

The names of several members and associates of the Institute appeared on the programme of the ninth annual meeting of the American Association of University Instructors in Accounting, held in Chicago, December 30 and 31.

Edward E. Gore, immediate past-president of the Institute, spoke at the Tuesday

morning session on *Modern Tendencies in Accounting Practice from the Point of View of the Public Accountant*. Arthur E. Anderson spoke at the same session on *Financial and Industrial Investigations*. The discussion of this address was led by John T. Madden of New York, and Thomas J. Reedy of Chicago.

At the afternoon session of December 30, President John B. Niven of the Institute, spoke on *The Relation of the American Institute of Accountants to Accounting Instruction*. John R. Wildman, chairman of the committee on education, of the American Institute of Accountants, spoke at the same session on *The Educational Programme of the Institute*. H. T. Scovill spoke at the same session on *The Relation of Accounting Instructors to Professional Associations*.

At the morning session, December 31, David Himmelfrau of Chicago, spoke on *Handling Claims for Credit for Work Taken in Other Institutions*. The discussion of this address was led by Roy B. Kester of New York.

J. Hugh Jackson, at the afternoon session of December 31, spoke on *The Auditor's Report*. At the same session James Dohr of New York spoke on *Some Phases of Joint Costs*.

### National Distribution Conference

George Rea of New York was designated by the president of the Institute to represent the Institute at the National Distribution Conference conducted January 14th and 15th by the Chamber of Commerce of the United States of America, at its headquarters in Washington.

### National Association of Purchasing Agents Conference

The National Association of Purchasing Agents invited the American Institute of

Accountants to be represented at a national conference held in Washington January 14th, to discuss standard invoice, inquiry and purchase order forms. President Niven named George Rea to represent the Institute at that meeting, which was held in the department of commerce. An estimate of the saving that may be effected by a country-wide use of standard invoice forms in all branches of American industry and commerce, places the figure at \$15,000,000. A number of national organizations sent representatives to the conference.

### **Public Accountant and Bank Auditor**

H. Leo Dalton, an associate of the Institute, of Toledo, Ohio, in addressing the Ohio Association of Bank Auditors, at Toledo, October 18th, on *The Public Accountant's Relation to the Bank Auditor*, pointed out that the bank auditor devotes his activities primarily to internal auditing, while the public accountant is concerned with both internal and external auditing. Some of the points of common interest between bank auditors and public accountants discussed by Mr. Dalton were: Confirmation of inquiries received from public accountants; the encouragement of the adoption by customers of those accounting features which will be instrumental in producing more accurate financial statements; the combination of efforts of the public accountant and the bank auditor to prevent commercial fraud.

Concerning verification statements requested of banks by public accountants, the speaker made the point that these requests should always be specific as to the information desired at a definite date, and likewise should carry the approval of the person in respect to whom the information is required. Mr. Dalton advocated the establishment of a definite routine in banks through which such inquiries should pass. He suggested that they be assigned to the bank auditor for answer. Such requests bring the bank auditor and the public accountant into close cooperation. The request indicates that an audit is in progress and that it is to the best interests of the bank that it be complete.

The speaker suggested that banks encourage the adoption by customers of those accounting features which will be instrumental in producing more accurate financial statements. A customer often will accept suggestions of the bank auditor as obligatory

requirements rather than professional recommendations. The public accountant, on the other hand, has to depend entirely on moral suasion to secure the adoption of his recommendations.

Mr. Dalton advocated the adoption of the termination of the natural business year as the proper time for closing books. At that time the business is free from intense effort and the merchandise stock is at its lowest, so that inventories can be taken more easily.

He spoke also of the methods of coöperation between bank auditors and public accountants in preventing business crimes, including credit frauds and embezzlements.

### **Reports on Members' Activities Asked by Bureau of Public Affairs**

Accompanying this issue of the Bulletin as it goes to members and associates of the Institute, is a report blank prepared by the committee on public affairs, in which it asks that members and associates give information as to speeches delivered, articles and books written, and public service performed during December. A similar report blank is to be enclosed to members and associates with the Bulletin each month, except during the summer season. The information thus gained will be entered on the individual records of the members and associates maintained by the bureau of public affairs, and will be announced in this Bulletin.

### **Audit of Public Accounts**

The following resolution was adopted by the Western States Taxpayers conference at San Francisco October 6-7, 1924:

Whereas, taxpayers are entitled to receive full value for every dollar expended in public administration and should be guaranteed such safeguards as will best aid in the achievement of that end, and

Whereas, the installation of adequate systems of accounts and of modern office methods should yield the same practical results in public office as in well organized private institutions, and

Whereas, the installation of such methods should be followed by intelligent supervision and examination in order to guarantee the satisfactory operation of such system, and

Whereas, such supervision and examination should be conducted at regular intervals by men experienced in accounting; whose independent and impartial reports will be thoroughly enlightening to officials and taxpayers; and whose work will result in increased accuracy, efficiency and economy in public administration.

THEREFORE, be it resolved by the Western States Taxpayers Association that we favor the passing of laws in our respective states that will require periodic audits of the financial records of cities, counties and school districts, by accountants duly licensed by law.

### **Chicago Library's Advice to Prospective Accountants**

The Chicago Public Library has issued a leaflet describing its reading course in accounting in which it says:

"Any man who intends to make accounting his profession should prepare for either the state examination for the degree of certified public accountant or the examination of the American Institute of Accountants. Passing the latter examination entitles the candidate to membership in the Institute. In thirty-eight\* of the states the Institute examination questions are used by the state examiners, so that it is possible to become a certified public accountant and a member of the Institute by passing one examination.

"The American Institute requires all candidates to have a high school education or its equivalent, and most of the states make the same requirement. A person who cannot meet this requirement should plan to make up his high school credits. The examination of the Institute (and hence of thirty-eight states which use the Institute's questions) covers four broad fields of an accountant's work—namely, theory and practice of accounting, auditing, actuarial science (or applications of compound interest) and commercial law.

### **National Association of Cost Accountants Annual Meeting**

The annual meeting of the National Association of Cost Accountants for 1925 will be held in Detroit next September. Plans for this meeting were discussed by the Detroit chapter of the association at its December meeting. There was also a discussion on *Inventory Control* following the presentation of a paper on that topic by L. D. Crusoe.

### **Railway Accounting Officers Association**

Twenty-one freight representatives of railroads operating in the United States and Canada met in Memphis, Tennessee, De-

cember 9, 1924, to attend a meeting of the committee on freight accounts of the Railway Accounting Officers Association. The sessions lasted three days. The freight accounts committee is divided into four sub-committees.

### **Federal Act to Regulate Place of Meetings**

A measure has been introduced in congress under the provisions of which it will be possible for trade organizations and non-profit organizations incorporated in the District of Columbia to hold their annual and other regularly called meetings at places elsewhere than in the District of Columbia.

This act may affect the American Institute of Accountants which falls within the class described in it, but members and associates of the Institute are already on record as agreeing to the holding of annual meetings outside the District of Columbia.

The bill as introduced reads as follows:

"An Act to permit meetings of societies, benevolent, educational, etc., organized under the laws of the District of Columbia, to be held outside of said district.

"Be it enacted by the senate and house of representatives of the United States of America in congress assembled.

"That the code of law for the District of Columbia be, and the same is hereby, amended by inserting another section, to be known as section 601a, which shall read as follows:

"Sec. 601a. That any society heretofore or hereafter organized under section 599 of the code of law for the District of Columbia, for benevolent, charitable, educational, literary, musical, scientific, religious, or missionary purposes, including societies formed for mutual improvement, or for the promotion of the arts, may provide in its by-laws that meetings of its trustees, directors, or managers, or meetings of its members, may be held outside of the District of Columbia, and all business transacted at such meetings shall be valid in all respects as if such meetings were held within said District."

It is believed that this measure, if it becomes a law will assure the validity of meetings of benevolent and educational corporations elsewhere than in the District of Columbia. The Chamber of Commerce of the United States is in the same situation as the American Institute of Accountants.

In a statement referring to the proposed act, it is pointed out that chapter XVIII of the code of law of the District of Col-

\*The number should be thirty-four.

umbia, deals with corporations; and subchapter III thereof deals with societies such as benevolent and educational organizations. Section 601, relating to the trustees thereof, states "such incorporated society may elect its trustees, directors or managers at such time and place and in such manner as may be specified in its by-laws."

In the absence of statutory provision the validity of acts done at meetings of stockholders or members outside of the state or district of incorporation is extremely doubtful: Cook on *Corporations*, 8th Ed. Vol. III, Sec. 589.

The laws of many states provide that meetings of stockholders may be held outside of the state of incorporation. These include Alabama, Arizona, Colorado, Delaware, Florida, Michigan, Minnesota, Nevada, New Jersey, South Dakota, West Virginia and South Carolina.

Section 760 of the code of law of the District of Columbia expressly provides that fraternal beneficial associations which are organized under subchapter XII of the chapter on corporations may hold their meetings outside of the District of Columbia.

There are many societies which are ben-

evolent, charitable, educational, scientific, etc., which are of national character. It is appropriate to have these national societies organized under the laws of the District of Columbia rather than under state laws, and it is believed that it should be the policy of congress to encourage these national societies to organize under District of Columbia laws. Many of these societies, however, have a membership resident in widely scattered parts of the United States. These societies desire to vary the place of holding their annual meetings so that from time to time all members may have an opportunity of attending without going far from their homes.

### **Proceedings of Cost Accounting Conference**

The proceedings of the Chicago Conference on Uniform Cost Accounting are ready for distribution, according to the department of manufacture of the Chamber of Commerce of the United States. The proceedings include surveys of cost accounting developments in the printing ink, fresh milk, corrugated and fibre box, printing, rubber, mill work and photo-engraving trades.

## **INSTITUTE CHAPTERS**

### **Northern Ohio**

A directory of members arranged geographically, alphabetically and by firm affiliation has been issued by the Northern Ohio Chapter of the American Institute of Accountants. It contains the names of sixty-eight members and associates of the Institute. The foreword says:

"The American Institute of Accountants prescribes the qualifications of its members and associates. It endeavors to regulate the practice of the profession of public accounting from within the profession itself, through laws, rules, standards and ideals which the organized profession represented by the Institute, has formally enacted and promulgated.

"Its standards are as exacting as those of any professional organization. They include:

- "(1) High preliminary educational requirements.
- "(2) Sound professional education and training.
- "(3) High moral character and good reputation.
- "(4) Passing a written examination in law, auditing and theory and practice of accounts given by its own examining board. (Institute examinations have

been adopted by state boards of accountancy of thirty-four states and one territory as the examination for the certified public accountant (C. P. A.) certificate.

- "(5) Continuous practice as a public accountant for not less than five years, for members; continuous practice for from two to four years (depending on kind and character of professional qualification) for associates.

"In certain cases the board of examiners may, in lieu of its examination, accept the C. P. A. certificate of an applicant who obtained it by an examination recognized by the board as being of equal standard with its own if such applicant has in addition the practice and other necessary qualifications.

"A member or an associate is liable to expulsion for a violation of any rule of conduct of the Institute or conduct discreditable to a public accountant.

"The accountants listed herein are commended to your consideration as responsible and qualified."

The pamphlet recites that the Institute is the successor of the American Association of Public Accountants organized in 1887. The names of nineteen committees of the

Institute are given, and this further information about the Institute is published:

"Directly or through separate corporations it owns—

- "(1) Its own five-story building in New York which houses its various activities.
- "(2) Owns and publishes *The Journal of Accountancy*, a monthly technical magazine.
- "(3) Publishes the *Bulletin*, a monthly sixteen-page pamphlet reporting current activities of the Institute and containing professional news and information.
- "(4) Publishes periodical bulletins containing answers to technical questions which cannot be answered from books or other data in print but are obtained through the Bureau of Information from persons having the information.
- "(5) Publishes professional and technical books, the publication of some of which could not be undertaken for profit, the most notable being *The Accountants' Index* (1578 pages) and supplement. This is an index and reference to all known English literature on the subject of accounting in print in 1912 and published since that year.
- "(6) Owns a library (available to all accountants) and has an endowment fund (at present over \$200,000, established through and being increased by gifts, bequests and initiation fees) the income from which is used for the support of the library and bureau of information.

"The net assets of the Institute and its subsidiary corporations are approximately one quarter million dollars.

"The current expenses of the Institute are paid from annual dues of members and associates.

"The current expenses of the Board of Examiners are paid from examination fees."

This publication of the Northern Ohio Chapter is a high example of the printer's art. Two thousand copies have been sent out as first class mail to bankers, bank directors, leading attorneys, judges and others who might be interested in supervising the selection of accountants in the forty-five counties of northern Ohio. A limited supply is still retained for mailing on request to interested persons.

The work of preparing this directory was undertaken in July and has been supported by members both in preparing material and in the financing, which was accomplished by voluntary contributions.

The next meeting of the Northern Ohio

chapter will be held April 11th, in accordance with the by-laws.

## Philadelphia

The first meeting of the board of directors of the Philadelphia chapter was held December 15th and the completion of the organization was effected. Adam A. Ross was chosen president, Peter S. Barton, vice-president, and R. G. Bennett, secretary-treasurer. The chapter will meet monthly on the fourth Friday of the month. The annual meeting will be held the fourth Friday in October.

The by-laws of the Philadelphia chapter are as follows:

### Article I.—Name.

Section 1. This organization shall be known as the Philadelphia chapter of the American Institute of Accountants.

### Article II.—Objects.

Section 1. The objects of this chapter shall be to forward the interests of the American Institute of Accountants and aid and assist in carrying out its objects and purposes within the territory served by this chapter and to promote the interests of the members of this chapter in all matters relating to their successful practice of the profession of accountancy.

### Article III.—Membership.

Section 1. Membership in this chapter shall be divided into two (2) classes, to be known as *members* and *associates*, and shall be confined to the members and associates of the American Institute of Accountants.

### Article IV.—Directors.

Section 1. The affairs of the chapter shall be governed by a board of five (5) directors, who shall be elected at the annual meeting of the members and who shall serve for a term of one year.

Sec. 2 The board of directors shall meet at such time or times as in the opinion of the majority of the board may be necessary.

### Article V.—Officers.

Section 1. The officers of this chapter shall consist of a president, vice-president, secretary and treasurer, to be elected by the board of directors from their number, and their term of office shall be one year.

Section 2. One person may be elected to hold the offices of secretary and treasurer, should that course seem to be desirable to the members of the chapter. The secretary-treasurer of the chapter may be selected from the general membership, outside of the board.

### Article VI.—Duties of Officers.

Section 1. The president shall preside at all meetings of the chapter and shall act for it in all matters where executive action is required and authorized by the board of directors.

Section 2. The vice-president shall perform the duties of the president in the event of his absence or disability.

Section 3. The secretary and treasurer shall



perform the duties ordinarily attaching to such offices.

**Article VII.—Subsidiary Bodies.**

Section 1. This chapter may organize subsidiary bodies, the membership of which shall be composed exclusively of persons engaged in the work of public accountancy, who are not members of the American Institute of Accountants but intend to adopt accountancy as a profession and have expressed a purpose of becoming members of the American Institute of Accountants when their preparation for such membership shall have been completed.

**Article VIII.—Meetings.**

Section 1. Regular meetings of the chapter shall be held on the fourth Friday of each month, and the meeting to be held on the fourth Friday of the month of October shall be the annual meeting at which directors are elected.

Section 2. Special meetings of the chapter may be called by the president or secretary when, in the judgment of either, such special meeting is necessary and the president or secretary shall call a special meeting whenever either is requested so to do by three members of the board of directors or by seven members of the chapter. The object of any special meeting shall be stated in the call and the business of the meeting shall be restricted to the object stated.

**Article IX.—Amendments.**

Section 1. Amendments to these by-laws may be proposed to the council of the American Institute of Accountants and shall become effective only after receiving the approval of said council.

**Rhode Island**

The organization meeting of the Rhode Island chapter was held at the Shrine Club, Providence, December 12, 1924. The members present were Lewis G. Fisher, George B. Clegg, William H. Moies, William H.

Scott, S. George Hay, George B. Clegg, Jr., William H. Segur, Ernest L. Goodman. Lewis G. Fisher acted as temporary chairman. The following board of directors was elected to serve until October, 1925, or until their successors have been elected and qualified: Lewis G. Fisher, S. George Hay, Ernest L. Goodman, William H. Scott and George B. Clegg. By-laws were adopted, which are in substance those suggested by the American Institute of Accountants. Meetings are to be held at the call of the board of directors and the meeting held in October is to be the annual meeting. The board of directors chose officers as follows: president, Lewis G. Fisher, vice-president, S. George Hay, secretary-treasurer, Ernest L. Goodman.

**St. Louis**

The St. Louis chapter of the American Institute of Accountants held a joint meeting with the St. Louis chapter of the Missouri Society of Certified Public Accountants on December 4th. An account of this meeting will be found under the heading *News of Local Societies*.

**Southern Ohio**

Plans are being made by the Southern Ohio Chapter for the regional meeting to be held in Cincinnati next May. The decision to extend the invitation to hold this regional meeting in Cincinnati was reached at a meeting of the chapter held November 29th, 1924. No meeting has been held since that time.

**BOARD OF EXAMINERS**

The board of examiners, following its meeting of January 6th, has recommended the admission of 36 new members and 15 new associates. It has recommended also the advancement of eight associates to full membership. The names of the proposed new members and associates and of those whose advancement has been recommended accompany this bulletin as it goes to the membership of this Institute. The council

of the Institute is now voting by mail ballot on the recommendations of the board. If elected by the council the applicants mentioned in the list will be admitted to membership unless protest is made by February 1st.

All results of the examinations were sent December 13th to the state boards coöperating with the Institute.

**COMMITTEE ACTIVITIES**

**Executive**

At a meeting of the Executive committee December 18th approval was given to the request received from the secretary of war that the Institute name representatives to at-

tend a meeting to be held Friday, January 16, 1925, at the Washington Hotel, Washington, D. C., to assist the war department in its studies of the problem of construc-

tion. The appointment of this committee is announced elsewhere in this bulletin.

The committee considered a letter from a member which was in the nature of a protest against a recent ruling of the bureau of internal revenue to the effect that when a claim for refund has been disallowed no appeal is possible. The suggestion was made that the bureau of public affairs should give publicity to this protest. The committee also recommended that the matter be referred to the committee on federal legislation for action.

### **Federal Legislation**

The committee on federal legislation met in Washington, D. C., December 11th and determined to favor the introduction of amendments to the revenue law of 1924 covering the following subjects:

(1) The extension of jurisdiction of the board of tax appeals in all matters, including claims for refund, claims for credit and any other issue arising out of the administration of any of the preceding revenue laws.

(2) Requiring the commissioner of internal revenue to bear the burden of proof in all cases where he has claimed additional assessment to be due, in hearings before the board of tax appeals.

The committee further decided that it was in the interests of the Institute to lend its support to such efforts as the National Association of Credit Men may make with respect to the amendment of the bankruptcy law, and to certain measures in which the American Bankers' Association indicates interest.

Reports are to be received promptly by the committee on federal legislation, from various agencies in Washington, concerning matters of interest to the committee.

### **Special Committee on Cooperation with Credit Men**

The special committee on coöperation with credit men had a conference with an officer of the National Association of Credit Men on December 17th. Arthur H. Carter is chairman of the Institute's committee, which also includes Andrew Stewart and Philip Miller. Colonel Carter outlined the purposes of the conference, and there was an

informal discussion of the general topic of coöperation between the two organizations. The hope was expressed by the representatives of both bodies that closer relations might be established. Discussion of specific methods of coöperation developed the thought that for the present the two organizations could devote their energies to combating losses caused by commercial crimes, particularly credit frauds. Announcement was made that the Institute, through its committee on public affairs, would publish in the near future a letter-bulletin on *Credit Frauds*. The representative of the credit men expressed pleasure at this definite move to be made by the Institute and outlined a plan of his organization to raise a large sum of money to be used in combating credit frauds. The National Association of Credit Men is to supply whatever information is necessary for inclusion in the forthcoming letter-bulletin.

### **Special Committee on Public Affairs**

Activities reaching into many fields have marked the past month for the special committee on public affairs. The routine work of the committee has increased to such an extent that three stenographers in addition to the assistant secretary in charge of this work are required in order to keep pace with it.

In response to the request of the committee for information as to speeches delivered, articles and books written and public service performed, reports were made by members and associates of fifteen speeches delivered during November, twenty-seven specific instances of public service performed, and ten articles and books written and published. Announcements of these activities are published elsewhere in this bulletin, and form a record of definite results from the efforts of the committee to stimulate the public service, speaking and writing activities of members and associates of the Institute.

The publicity service of the committee for the Toledo regional meeting was completed by providing those in attendance at that meeting with articles designed for use in their home newspapers upon the return of the delegates. The committee has offered similar services to the Texas chapter for

the midwest regional meeting to be held in May, 1925.

A digest of the California arbitration law was sent to members and associates of the Institute in that state to be used in the effort for new legislation. Special newspaper articles were prepared and sent for use in the San Francisco and Los Angeles papers. A suggestion was received from a California member that a special sub-committee of California members and associates be organized to assist in the campaign for a new commercial arbitration law. President Niven approved this suggestion and a committee will be named.

There is a steady demand for copies of letter-bulletins 1 and 2 on *Commercial Arbitration* and *The Crime Tendency* respectively.

Working relations have been established between the bureau of public affairs and the Motion Picture Producers and Distributors of America, Inc., the organization headed by Will H. Hays. The motion-picture men have been making a study of improved forms of financial statements and of methods of reducing business crimes, including credit frauds and stock frauds.

Eight hundred copies of letter bulletin 2 were distributed by the New York Board of Trade and Transportation to its membership. The officers of that organization expressed the opinion that the information in this letter-bulletin was of exceptional value to all business men.

The *Lumber Co-operator*, the official organ of the Northeastern Retail Lumbermen's Association, published an item concerning letter-bulletin 2 and requested a supply of these letter bulletins for distribution to the members of the association.

The interest and support of members and associates of the Institute in Indianapolis were sought in behalf of the commercial arbitration tribunal set up in that city by the Chamber of Commerce.

E. E. Gore, of Chicago, and the chairman of the committee attended a luncheon of the Baltimore Association of Commerce devoted to a discussion of the prevention of business crimes.

The committee drafted a report for a Kansas City member of the Institute as to what has been done by surety companies for setting up preferential rates for firms who have outside audits made regularly.

The committee is coöperating with the Associated Advertising Clubs of the World to supply copies of letter-bulletin 2 to members of that organization who wish them.

An article on *The Crime Tendency* by J. Pryse Goodwin, will appear in *Business* in an early issue.

Newspaper articles concerning the results of the November examinations conducted by the Institute for certified public accountant registration and for admission to the Institute were supplied to the Associated Press and the United Press Associations.

The committee received a request from a Canadian school for permission to use in a course on commercial law the information on commercial arbitration contained in letter-bulletin 1. The request was granted.

The committee provided newspaper articles on the crime tendency for the use of an accountant in Paris.

A representative of the committee attended a conference on January 7th of twenty-five organizations in New York which are combining to combat bankruptcy and insolvency frauds.

The Association of the Bar of the City of New York has requested copies of letter-bulletin 2. The association is investigating enforcement of criminal laws and expressed a wish to have the information collected by the Institute on the subject of business crimes.

A large manufacturer of surgical specialties commenting on letter-bulletin 2 said: "The committee has rendered the business world a most valuable service in its very efficient and comprehensive presentation."

There is pending before congress a commercial arbitration measure known as S. 1005, a bill to make valid and enforceable written provisions or agreements for arbitration of disputes arising out of contracts, maritime transactions or commerce among the states or territories or with foreign nations. The measure, as originally introduced, had the approval of the Arbitration Society of America and still has the support of that organization, although several amendments inserted by the senate tend to limit the effectiveness of the measure. A concerted move is under way to bring about the enactment of this measure into law at the present term of congress. Accountants in the various states who feel that they may assist in crystallizing public sentiment and

in presenting it to their senators and representatives may feel free to do so in view of the indorsement of the principle of commercial arbitration by the Institute. The Bureau of Public Affairs will be glad to coöperate with accountants in various states who take action on the federal measure.

The December issue of *Grand Rapids Progress*, published by the Grand Rapids Association of Commerce gives an account of the formation of a commercial arbitration tribunal by that organization and tells of the endorsement of the principle of arbitration by the American Institute of Accountants, and of the assistance which members and associates of the Institute are prepared to give in arbitrating disputes between business men.

Arthur E. Phillips, of Winnipeg, Canada brought about the publication in the *Manitoba Free Press* of an extended article on *Arbitration of Commercial and Business Disputes* in which a large part of the material presented in letter-bulletin 1 on arbitration, issued by this committee, was reproduced in full.

John J. Harrington, of Waltham, Massachusetts, an associate of the Institute, has arranged with the chamber of commerce of that city, for the publication of newspaper articles concerning the work of the bureau of public affairs. The chamber of commerce of that city will send to its members, copies of letter-bulletin 2.

Subscriptions to the budget of the committee on public affairs now total \$22,260.50.

## STATE LEGISLATION

Arrangements have been made by the Institute to receive prompt reports of all measures introduced in congress and in the legislatures of the states and territories, affecting accountancy. As soon as word is received from any state of the introduction of accountancy measures the information will be passed along promptly to representatives of the Institute in that state so that the necessary attention may be given. New accountancy measures will be introduced in California, New York and possibly in Iowa, North Carolina and Massachusetts.

The legislative service supplies lists of the senators and assemblymen in all states in which the legislature is in session. Copies of these lists are on file in the Institute's office. So far, lists for Arkansas, Illinois, Indiana, Iowa, Minnesota, Montana, Nevada, New Hampshire, New Jersey, Oregon, Rhode Island, South Dakota, and Wyoming have been secured.

### New York

Accountants in New York state organized the accountants legislation conference in December 1924, for the purpose of studying prospective regulatory legislation to be introduced in the New York legislature. A largely attended meeting was held at Bryant Hall, New York, December 11. Perley Morse was named chairman of the conference. Harold R. Cronin, of the New York State Society of Certified Public Accountants, was made treasurer and Harold B.

Barnett, president of the New York Society of Accountants, was made secretary.

The chairman was empowered to appoint a large representative committee to undertake the preparation of a measure to regulate the practice of accountancy in New York. The committee has been engaged for more than a month on this work but the terms of the proposed measure are not yet ready for announcement.

The New York State Society of Certified Public Accountants is preparing a measure to be made to unite the influence of this society and the Accountants Legislation Conference behind one measure acceptable to both organizations.

The committee appointed by the accountants' legislation conference is composed of the following: Max H. Akabas, Harold B. Barnett, David Berdon, Frank Broaker, A. S. Burton, William M. Conant, Harold R. Cronin, Ben. Crystal, Richard F. X. Dunn, Paul-Joseph Esquerre', Mark I. Fleischer, Harry M. Goldblatt, H. Ely. Goldsmith, William Goldstone, J. S. M. Goodloe, M. H. Gotthilf, G. H. Kingsley, Joseph J. Klein, Philip Klupt, Philip Lack, Walter Latzer, L. G. F. Lohman, Irving Mandell, Wm. T. Matthies, Perley Morse, Homer S. Pace, Louis H. Segal, Wolf Sheinberg, Irving Slavin, Watson F. Ward, Jr., I. H. Weiss.

Edawrd A. McAllister, a member of the New York bar and a certified public accountant of New York, as well as a member of the American Institute of Accountants, has

issued a pamphlet entitled *The Demand for, and Responsibility of, the Public Accountant*, with particular reference to prospective legislation in New York. This recounts the meeting of December 11 and brings out two points which Mr. McAllister expresses a desire to emphasize before the legislative proposals are finally reduced to definite form. The two points are, first, the demand for public accountants; and second, the responsibility of public accountants. In part this pamphlet says:

"The governing board of the New York Stock Exchange, through its listing committee, has ruled that applications for the listing of securities upon the exchange must be accompanied by balance-sheets and statements of earnings which have been certified by accountants approved by the committee. A provision requiring periodical audits has recently been made effective for firms associated with the exchange. These are outstanding instances of the recognition of the value of correct financial statements, and an illustration of the growing appreciation of the services of qualified accountants. If audited financial statements enjoy the indorsement of the most important body of its kind in the world, it does not seem out of place to suggest that the general requirements of the New York stock corporation law referring to corporate books of account be given the practical effect and result which was in the legislative mind when certain sections of that law were enacted.

"One of the speakers at the accountants' meeting stressed the thought that public accountants should be held legally responsible for their work. If, as herein demonstrated, the

legislature considered that corporate books of account should be maintained for a specific public benefit, the new accountancy legislation might appropriately contain provisions which would fix responsibility upon those holding themselves out as competent to prepare statements displaying a business or financial position.

"Having regard to the complex and highly technical nature of the accounts of large corporations, such as holding corporations with numerous inter-related subsidiary and affiliated companies, and particularly the records of manufacturing corporations embracing technical cost and production data, the accurate reporting of which is necessary to a proper statement of the company's operations as well as to its static position, has not the time arrived when the corporation laws should provide, in the interests of the stockholders (the public) that books of account be regularly inspected (or audited) by qualified public accountants—by certified public accountants, the qualifications of whom are provided in another New York law? And if this duty is created by law, should not those assuming to perform the work willingly accept a full measure of responsibility therefor?"

### **Philippine Islands**

A new law governing the practice of accountancy in the Philippine Islands was drafted last September but there was insufficient time in which to secure action on it by the Philippine legislature which adjourned in November. The measure will be introduced when the new legislature convenes in July.

## **STATE BOARDS OF ACCOUNTANCY**

### **Connecticut**

Governor Charles A. Templeton of Connecticut has appointed Charles F. Coates to succeed himself as a member of the state board of accountancy for a term of three years from January 1, 1925.

### **Maryland**

The following candidates passed the Maryland certified public accountant examination held November 17, 18, and 19, 1924: F. Willard Amoss, F. F. Benson, Robert W. Black, Charles W. Burton, Hunter Ashlin Dykes, C. J. Froehlich, A. William Isaacs, Lloyd C. Knabe, K. L. Nelson, Raymond E. North, Edward Roseman, Edmund R. Stewart, William M. Wetzel.

### **Massachusetts**

Examinations for certified public account-

ant registration were held in Massachusetts on December 10th and 11th with 347 candidates in attendance.

### **Michigan**

Forty candidates took the examination for certified public accountant registration at Detroit December 23. The law requires that candidates have two years' practical experience in accounting, that they be high school graduates and that they have completed a recognized course in accounting. Robert Davidson is chairman of the state board of accountancy.

### **Minnesota**

The state board of accountancy of Minnesota has conferred the title of certified public accountant on Richard H. Doe and Earl A. Waldo of Minneapolis; John J.

Bachman, Francis J. Dolezal, Lyle W. Hines and Clifford R. Munson of St. Paul; Irving Grover and Harold J. Matteson of Duluth.

### **Mississippi**

The following rules of professional conduct have been adopted by the Mississippi state board of public accountancy and published:

#### *Rules of Professional Conduct*

1. All holders of certificates as certified public accountants in Mississippi are required to be of good moral character. Any holder of such certificate from this board who shall be guilty of any continued or gross immorality shall be deemed as guilty of unprofessional conduct; any holder of such certificate issued by this board who is a habitual drunkard or a common gambler shall be deemed as guilty of immoral and unprofessional conduct.

2. The dignity and honor of the State of Mississippi is in the keeping of all holders of certificates as certified public accountants. The holders of certificates issued by this board who practise as such certified public accountants in other states or territories of the United States shall conform to the professional standards maintained or required by the board of accountancy in such state or territory. The holders of such certificates issued by this board shall place themselves under the observation of the board of such state or territory of their practice. Any failure so to place themselves under observation of the board of said state or territory of said practice or any failure to conform to the professional standards by them required shall be deemed as unprofessional conduct within the meaning of the Mississippi law.

3. No holder of a certificate issued by this board shall prepare or certify any statement containing an essential misstatement of fact or omitting such fact as would result in a misrepresentation of solvency, earning capacity, the relation of the assets and liabilities of any business or institution, or the relation of any individual, firm or corporation to said business, or make any suggestion looking to the preparation by another of any statement containing any such misstatement or omitting any such material fact. All certificates should recite the reservations of the accountant so certifying to the statement submitted.

4. No holder of a certificate issued by this board shall prepare or certify to any statement which has not been verified either by himself, a partner or regular employee on his staff.

5. No holder of a certificate issued by this board shall have in association as a partner or continue as a member of his staff of employees any one who is not regularly engaged in the practice of public accountancy and whose practice is not in conformity with the standards of professional conduct otherwise herein required. The continued employment of any

employee guilty of violation of any of these rules of professional conduct shall be deemed as unprofessional conduct on the part of such employer.

6. No holder of a certificate as a certified public accountant issued under the authority of this board shall accept employment from or continue in the employ of any public accountant or firm of public accountants, whether domiciled in this state or in another state, if said employer or employers fail or refuse to conform to any of the rules of professional conduct here set forth or hereafter to be adopted by this board. Any continuance in such employment after notice by this board or complaint to this board with due notice to such employee shall be deemed as unprofessional conduct.

7. No holder of a certificate issued by the authority of this board shall allow any commission, brokerage or participation in his fees to the laity; nor shall he receive any commission, brokerage or other participation in the profits accruing to any dealer, etc., on account of supplies, etc., bought by or for a client pursuant to a professional engagement except he account to such client for such commission, brokerage, etc.

8. No holder of a certificate issued by the authority of this board shall engage in any business or occupation conjointly with his professional practice in such a manner as would be incompatible or inconsistent with such professional service.

9. No holder of a certificate issued by the authority of this board shall accept any double employment or employment that would conflict with the interests of any client. Should such holder of a certificate issued by the authority of this board be offered professional employment that would be inconsistent or incompatible with a prior employment he should immediately make known his contrary or incompatible employment and refuse to accept such additional employment.

10. The secrets of any employer should be held inviolate. No holder of a certificate issued by this board shall divulge, except under penalty of law and upon the demand of a court of competent jurisdiction, any fact or facts relating to the business of any client that may have been learned in the course of a professional relation to said client, except at the request of such client.

11. No holder of a certificate granted under the authority of this board shall solicit employment except at the request or suggestion of some party interested in or connected with the business of the prospective client. Such prohibition shall in no way limit the right to accept any employment directly or specifically offered.

12. No holder of a certificate granted under the authority of this board shall employ any agent, representative or solicitor to advertise or make contracts for audits, systems, etc.

13. No holder of a certificate issued by the authority of this board shall advertise in a manner detrimental to the dignity and other interests of the profession. This shall not pro-

hibit the use of professional cards, in newspapers, directories, etc., nor shall it prohibit the dissemination by letter or otherwise of impersonal information. But the advertisement of personal attainments in a manner to solicit employment is hereby declared unprofessional within the meaning of section 7 of the Mississippi accountancy law.

14. No holder of a certificate issued under the authority of this board shall conduct himself so as to come under suspension or disbarment by the committee on enrollment and disbarment of the treasury department of the United States. Any holder of a certificate granted under authority of this board who shall be suspended or disbarred by said committee shall be deemed guilty of unprofessional conduct within the meaning of section 7 of the Mississippi accountancy act.

15. No holder of a certificate issued under the authority of this board shall become a member of any professional society or other organization that does not uphold and adhere to the standards of professional conduct herein recited or hereafter to be adopted.

16. The violation of any one of the foregoing rules of professional conduct or any other rule hereafter adopted shall be deemed sufficient cause for the revocation of the certificate of a holder of such certificate under the authority of this board. Any charge of violation will be heard according to the requirements of section 7 of the accountancy act.

The duty of the board is both to hear charges preferred by others and to investigate and make charges at its own instance. The board will conduct its own hearings but will permit any accused accountant to be represented by counsel.

### **Pennsylvania**

The Pennsylvania state board for the examination of public accountants at a meeting held October 21, 1924, in Harrisburg, amended rule 4 of the rules of the board so as to permit members of an investigating staff of a department of the state or federal government to take the examination for certified public accountant registration. This rule now reads:

"4. Applicants must present satisfactory evidence of five years' satisfactory experience in

the practice of accountancy, and at least two of the five years' experience shall have been in the employ of a recognized public accountant in active practice, except that candidates who have received a degree as evidence of completing a regular four-year course of study in a recognized college or university will be required to have only three years' satisfactory experience, and except that candidates who are qualified thoroughly in other respects and who have been in active bona fide public accounting practice in Pennsylvania for a period of five years and have reached the age of thirty years may be admitted to the examination. In case the applicant has been a member of an investigating staff of a department of the state or federal government for a period of two years, such experience may be substituted for the two years' experience in the office of a recognized public accountant, providing, in the judgment of the board, the said experience has furnished the applicant with the necessary accounting experience."

The action of the Pennsylvania state board was taken in response to a petition received from a committee representing federal income-tax accountants assigned to Pennsylvania. Members of the revenue agents' force in the Pittsburgh and Philadelphia divisions organized this committee. In its petition the committee asked that two years' experience in field work in the revenue agents' force be considered as equivalent to two years' experience in a certified public accountant's office in determining the qualifications of candidates for examination for registration as certified public accountants.

The Pennsylvania board has notified the committee of federal income-tax accountants, of which George F. Herde is chairman, of the change made in its rules.

### **Rhode Island**

The state board of accountancy of Rhode Island has granted certificates to Joel D. Austin, R. C. Harrington, C. R. Union and Albert E. Godfrey.

## **NEWS OF LOCAL SOCIETIES**

### **California State Society of Certified Public Accountants**

The San Francisco chapter of the California State Society of C. P. A.'s met December 23, to discuss the new accountancy measure to be introduced in the California legislature and to greet the men who had recently received the certified public accountant certificate. The entire evening was devoted to a discussion of the proposed

new accountancy law. Plans were made for a subsequent meeting at which the subject for discussion will be the proposed regional organization of the American Institute of Accountants.

### **Florida Society of Certified Public Accountants**

The Florida Society of Certified Public Accountants reports that a committee on

public affairs has been appointed consisting of Walter Mucklow, W. G. Cooper and J. M. Jordan. A committee on professional conduct has also been appointed, consisting of F. M. Williams, J. H. Hall and George H. Ford.

### **Georgia Society of Certified Public Accountants**

Joel Hunter, of Atlanta, acted as chairman of a committee from the Georgia Society of Certified Public Accountants which discussed the federal income-tax law at a conference held in the Atlanta chamber of commerce, January 7, with representatives from the Georgia Bankers' Association. Arrangements for the conference were made by the Georgia Society of Certified Public Accountants. Associated with Mr. Hunter were Allen W. Clapp and Thomas W. Branch, certified public accountants. The computation of income tax, both for banks and as a service for bank customers, was discussed in detail.

### **Illinois Society of Certified Public Accountants**

The Illinois Society of Certified Public Accountants met at the Attic club in Chicago, December 11, 1924. A report for the committee on legislation was given by Arthur E. Andersen. The committee was instructed to prepare a bill for submission to the Illinois legislature embodying amendments to the present Illinois certified public accountant law. C. R. Whitworth has been appointed chairman of the committee on public affairs of the Illinois society, which is to undertake work similar to that of the committee on public affairs of the Institute.

### **Indiana Association of Certified Public Accountants**

The Indiana Association of Certified Public Accountants held an open meeting with an informal dinner at the Severin Hotel, Indianapolis, December 13, 1924, with fifty men in attendance. President George E. Morgan was in the chair and introduced Frederick E. Shortemeier, secretary of state of Indiana, as toastmaster. The first speaker was James O. McKinsey of Chicago, an Institute member and a member of the faculty of the University of Chicago. His subject was *Modern Tendencies in Accounting Practice*. He was followed by Al-

bert Stump, an Indianapolis attorney, who spoke on *Possibilities of Accountants in Connection with Receiverships and Bankruptcies*.

The officers and directors of the Indiana Association are: George E. Morgan, president; Geo. B. Buist, vice-president; Geo. S. Olive, treasurer; O. C. Herdrich, recording secretary; Wm. M. Madden, auditor; C. E. Freeman, secretary emeritus; H. A. Roney, corresponding secretary; H. L. Chambers, director; J. E. Pritchard, director.

The committee on arrangements for the dinner was composed of: H. W. Painter, chairman; A. R. Chapman, G. R. Hill, A. P. Holt, J. E. Johnson, W. M. Madden, F. H. Nelson, B. D. Spradling, H. A. Zimmerman.

The association will meet again in May. It has invited Homer S. Pace, chairman of the committee on public affairs of the Institute, to address it at that meeting. The association has a luncheon meeting on Monday of each week.

A committee is drafting proposed changes in the Indiana certified public accountant law, which will be introduced at the present session of the legislature.

The Indiana Association of Certified Public Accountants has been making a survey of commercial arbitration in that state. Indiana has had an arbitration law on its statute books for many years and many cases have been settled under the law as it now stands. The association is gathering information so as to be in a position to make suggestions as to how the present law may be improved.

### **Kentucky Institute of Accountants**

The January meeting of the Kentucky Institute of Accountants was announced for the 13th instant.

### **Society of Louisiana Certified Public Accountants**

The quarterly meeting of the Society of Louisiana Certified Public Accountants will be held February 12th.

### **Massachusetts Society of Certified Public Accountants**

The Massachusetts Society of Certified Public Accountants will hold its next meeting January 27th, when Alexander Wall, secretary-treasurer of the Robert Morris Associates, will speak on *Accountants' Reports—How to Make Them More Interest-*



ing and Valuable, with Special Reference to the Use of Indexes and Ratios. The address will be followed by a general discussion. The Massachusetts chapter of the American Institute of Accountants will meet conjointly with the Massachusetts society.

### **Michigan Association of Certified Public Accountants**

A meeting of the Michigan Association of Certified Public Accountants was announced for January 8th, to be held at the Aviation Town and Country Club, Detroit. The Michigan society has under consideration several changes in the accountancy law of that state which it proposes to introduce in the legislature. The association has under consideration also the matter of non-resident members. There has been a suggestion that quarterly meetings instead of monthly meetings be held, and this subject is to be discussed at an early meeting. The officers are: president, P. A. Kerr; vice-president, P. B. Price; treasurer, M. B. Walsh; secretary, W. T. McConneM. The directors are: E. T. Ashman, W. F. G. Ross and F. A. Tilton.

### **Missouri Society of Certified Public Accountants**

The Kansas City chapter of the Missouri Society of Certified Public Accountants meets every Monday at 12:15 o'clock for luncheon. All visiting accountants are invited to attend. This chapter has under discussion the question of seeking an amendment to the state law providing that communications between accountants and clients may be expressly defined as privileged communications. It is believed that this amendment can be obtained without touching the existing certified public accountant law.

The St. Louis chapter of the Missouri Society of Certified Public Accountants held a joint meeting with the St. Louis chapter of the Institute at the City Club, December 4, 1924. Prior to the meeting, dinner was served. J. H. O'Connell led a discussion on *Audit Reports—Can They be Made More Interesting?* The speaker stressed the desirability of an audit report containing something more than a mere recital of the method of verifying definite items, and said that it had been his experience that many clients were very appreciative of com-

ments on their systems, their methods of conducting business, and, in some instances, advice based on information regarding civic and general trade conditions. It was pointed out that the nature of an audit report would naturally vary with the instructions received from the client, the auditor's idea as to exactly what the client wanted, what would be of most value to him and the particular conditions found to exist in each case.

The address was followed by a general discussion.

The St. Louis chapter of the Missouri Society of Certified Public Accountants met at dinner January 8th, at the City Club. The programme included a paper on *The Certification of Statements Giving Effect to Re-financing from the Accountant's Viewpoint and from the Investment Broker's Viewpoint.*

### **Society of Certified Public Accountants of the State of New Jersey**

The next meeting of the Society of Certified Public Accountants of the state of New Jersey will be held in May. The last meeting was held in October.

### **New York State Society of Certified Public Accountants**

At the regular monthly meeting of the New York State Society of Certified Public Accountants December 8, 1924, J. Edward Meeker, economist of the New York stock exchange, discussed the work of the exchange in its efforts to prevent fraud, and particularly the recent ruling of the exchange requiring audits by its members. A general discussion followed the address.

Frederick S. Todman, chairman of the society's special committee on stock-brokerage accounting, discussed the importance of the independent public accountant as a factor in accomplishing the purposes which evidently underlie the action of the exchange in requiring annual audits of the books of all members.

The New York society has forty-four special technical committees which were organized during 1924. At the beginning of the present season a conference of the chairmen was called by the president, Homer S. Pace. The programme of research and study initiated by the society through these committees was described, and a method of coördination of the work of the various committees was adopted. Practical results

already have been attained, several of the committees having rendered valuable services in answering inquiries and handling matters of a technical nature referred to them.

Through the instrumentality of these committees programmes on technical subjects have been arranged for the general meetings of the society. For the January meeting the committee on federal and state income tax arranged a discussion on income-tax procedure, federal and state. This was led by the committee chairman, Orrin R. Judd. At a preceding meeting, November 10, 1924, discussion on auditors' liability was led by Edward L. Suffern, chairman of the special committee on that subject. Another discussion concerned auditors' statements for credit purposes, led by David Berdon, chairman of the special committee on that subject.

An amendment to the constitution of the New York State Society was approved at the meeting held November 10th, was ratified by mail vote, and was declared effective by President Pace, December 12, 1924. This amendment changes article III of the constitution by adding a new class of membership, consisting of life members. The other classes are members and junior members. The life membership class is open to persons who shall have been members of the society in good standing for at least fifteen years and who may be recommended by the board of directors for advancement to that class. Such recommendation of the board shall be acted upon at any regular meeting of the society. The board of directors shall nominate for life membership only those persons who in the judgment of the board shall have ceased to be engaged in active practice because of health or age. Life members are to be exempt from the payment of dues.

### **North Carolina Association of Certified Public Accountants**

The North Carolina Association of Certified Public Accountants held its sixth annual general meeting at Greensboro, North Carolina, December 12 and 13, 1924. The following officers were elected for the year ending August 31, 1925: D. H. McCollough, Charlotte, president; Frederick Moore, Charlotte, vice-president; George E. Wood, Charlotte, secretary and treasurer. This

will be Mr. Wood's sixth term as secretary-treasurer.

J. B. McCabe, C. P. A., of Wilmington, North Carolina, presided as toastmaster at the banquet on December 12. The retiring officers were: George H. Adams, Charlotte, president; J. D. Hightower, Greensboro, vice-president; George E. Wood, Charlotte, secretary-treasurer.

The membership of the association has increased from thirty-eight members on August 31, 1923, to seventy-six. The publicity committee of the association has just issued a year-book which will be distributed to state officers, to the clerks of towns and cities in the state, to boards of county commissioners, to chambers of commerce and boards of trade and to the secretaries of all state associations. The Association plans later to issue a magazine, quarterly.

Coöperation with the state societies of Virginia and South Carolina is being discussed as a means of promoting the interests of accountancy in that section.

The legislative committee of the North Carolina Association will present various amendments to the C. P. A. law of 1913 when the legislature convenes.

Committees have been named by President McCollough as follows:

*Membership*—George H. Emery, Charlotte, chairman; Ellis L. Jackson, Charlotte; L. D. McNabb, Jr., Charlotte; J. B. Rodgers, Charlotte.

*Legislation*—George H. Adams, Charlotte, chairman; George H. Emery, Charlotte; R. L. Steele, Raleigh.

*Meetings*—George E. Wood, Charlotte, chairman; J. J. Bernard, Raleigh; H. C. Northrop, Charlotte.

*Publicity*—Frederick Moore, Charlotte, chairman; E. C. Craft, Wilmington; J. B. McCabe, Wilmington; Walter I. Smith, Charlotte.

*Grievances*—R. L. Steele, Raleigh, chairman; George H. Adams, Charlotte; M. M. Morgan, Charlotte.

### **Ohio Society of Certified Public Accountants**

The annual dinner of the Columbus chapter of the Ohio Society of Certified Public Accountants was held December 5th. William H. Bell of New York, was the principal speaker.

### **Oregon State Society of Certified Public Accountants**

Meetings of the Oregon State Society of Certified Public Accountants were held on December 8, 1924, and January 12, 1925. At the meeting of December 8 there was a discussion as to what steps, if any, the society should take to bring before the Oregon legislature in January any proposed new certified public accountant legislation. It was decided to ask the legislative committee of the society to consider the matter further and report. John P. Dawson, Portland, is president of the society.

### **Pennsylvania Institute of Certified Public Accountants**

A meeting of the Pennsylvania Institute of Certified Public Accountants was held November 25, at the City Club in Philadelphia, with forty-four persons present, of whom twelve were guests. The address of the evening was delivered by William M. Lybrand of New York, on *Form and Substance of Accountants' Certificates*. He explained the factors governing the makeup and contents of certificates, reading extracts from a number of reports and explaining the wording of both long and short certificates, with the application of each to its particular case.

His advice was to use a short certificate wherever possible in preference to the long form, particularly in cases where it is known beyond question that the statements are true exhibits. Mr. Lybrand stated that bankers favor the short certificate because it is easy to understand and definite in its statements. He said also that bankers dislike a qualified certificate as it leaves a doubt in the banker's mind as to the status of the company's position.

With reference to long certificates, Mr. Lybrand suggested that it would be most desirable to standardize the form of wording. He expressed the belief that qualifications respecting inventories and other assets should be placed in the balance-sheet itself rather than in the certificate, so that anyone who understood how to read a balance-sheet could understand what was meant.

The speaker presented audit certificates from a number of foreign corporation reports that had been published in London newspapers. These examples were of both long and short forms of certificates and a

number of them contained specific qualifications very much like American certificates.

Mr. Lybrand's address was followed by a discussion as to the contents of certificates and as to qualifications. It covered also the responsibility of the accountant with respect to information regarding events subsequent to the balance-sheet period. The discussion was led by George Wilkinson and was participated in by W. H. West of New York, vice-president of the American Institute of Accountants, and by Messrs. Van Dorn, Main, Griffith, President Lynn, and McGee.

Mr. Prince, a banker, was present as a guest. He stated that bankers want to know facts regarding statements and that accountants should give them those and nothing else. He expressed the belief that commitments should be indicated in order to show what is ahead of the company. He stated that the certificates of small firms received as much consideration as those of larger firms.

Mr. Lybrand was given a rising vote of thanks for his address.

The secretary read a letter from J. E. Sterrett, a member of the transfer committee of the Dawes reparation commission, thanking President Lynn of the Pennsylvania Institute for a telegram of congratulation sent to Mr. Sterrett on the evening of October 20th.

### **Tennessee Institute of Accountants**

Public accountants of Tennessee have organized a society to be known as the Tennessee Institute of Accountants. Taylor E. Cress of Memphis has been elected president and Garner A. Watson, also of Memphis, secretary-treasurer. The purposes announced are the improvement of standards of practice and promotion of the accountant's profession. Twenty-five members have been enrolled. The by-laws provide that the board of directors must be made up of one member from each of the three divisions of the state. Those elected to the board are Robert Wilson, Memphis; T. A. Andrews, Nashville, and Leonard Baker, Chattanooga.

### **Institute of Chartered Accountants of British Columbia**

The December examinations of the Institute of Chartered Accountants of British Columbia, according to an announcement in the *Vancouver Sun* of Vancouver, B. C., re-

sulted as follows: Final—passed and eligible for admission: H. Anscomb, Victoria; R. D. Bowes, C. W. Clark, S. A. G. Curry, R. C. Field, J. S. Flanagan, W. Wardhaugh,

Vancouver; intermediate—passed: Paul Rising, Vancouver; G. L. Rorie, Prince Rupert; D. G. White and R. H. N. Whiting, Vancouver.

## **COURT DECISIONS AFFECTING ACCOUNTANCY**

### **Board of Tax Appeals**

Decisions of the United States board of tax appeals, it is announced, will be published weekly on Thursday. They may be obtained from the United States government printing office for a nominal sum.

In decision No. 64 on the subject of leasehold expenditures the board held that the courts of the state will protect a lessee who under a defective lease has made extensive improvements upon leased premises with the consent of the lessor. Therefore the lessee had an equitable and enforceable lease for five years. In this case the taxpayer, a banking corporation, leased premises for five years and spent \$33,000 to put the premises in condition for banking purposes. Under the law of the state no lease unless acknowledged by seal was good beyond one year. The board held that the \$33,000 must be allocated over the five years.

In decision No. 65 a case was presented in which a partner owning a 51% interest contracted with his wife to pay one-half of the profits over to her and she agreed to pay one-half of any losses. In denying the effect of the sub-partnership agreement to reduce the taxpayer's taxable profits by one-half the board held that the full 51% accrued to him first before it could be diverted in any part to his wife, and that as profits from a partnership are taxable whether distributed or undistributed he was liable on the whole amount. The board held that to rule otherwise would be to permit nullification of the taxing statute.

In decision No. 66 the board overruled the commissioner by allowing a corporation a deduction from gross income of an amount paid on its indebtedness contracted to purchase stock in a domestic corporation. The deduction was allowed under section 234 (a) (2) of the revenue act of 1918.

The question of jurisdiction was dealt with in decision No. 68. In this case the board held that when the commissioner determined that an assessment should be made

for one year less an overpayment in another year it has jurisdiction to consider an appeal as to both years. The board also held that it has jurisdiction to consider questions that were not presented to the commissioner for his determination.

In decision No. 69 the board passed on its right to review cases of special assessment under sections 327 and 328 of the revenue acts of 1918 and 1921. These sections provide that invested capital for purposes of the excess-profits tax should in certain cases of hardship be determined by reference to the invested capital of representative corporations in the same line of business. The commissioner contended that the board was without jurisdiction to review sections 327 and 328 because congress had failed to give it that right and because review of these sections would make public records with respect to representative corporations in violation of the so-called "secrecy provisions" of the revised statutes. The board held that it had jurisdiction.

In decision No. 71 the board maintained that a sale of real estate for which more than 50% had been paid in cash, the remainder being secured by a mortgage and payable monthly, is not a sale on the instalment plan and a gain therefrom is taxable in full in the year in which the sale is made.

In decision No. 74 the board held that under section 326 (a) (4) of the revenue act of 1918 the taxpayer is not entitled to include in invested capital an amount claimed to represent the value of goodwill in the absence of sufficient evidence to establish such value.

In decision No. 76 the board held that the New York state income tax levied upon the income of 1919 and paid in 1920 is not an allowable deduction from gross income in the taxpayer's return for federal income tax for the year 1919.

Decision No. 77 deals with a determination of invested capital. The taxpayer claimed that certain license agreements were tangible property. It was shown

that the value of constructing certain machines was insignificant compared to the value of the license agreement which went with it. On this point the board held that the license agreements are not patents; that they are one step removed from patents, and that as such they are intangibles. It held that invested capital should be determined by attributing to tangible property a return of 8 per cent (the commissioner had set 10 per cent) and to intangible property a return of 15 per cent (the commissioner having fixed 20 per cent).

In decision No. 79 the board maintained that a reserve for depreciation accumulated on the books of a taxpayer over a period of ten years prior to June 30, 1916, will not be disturbed to reduce invested capital unless the evidence clearly shows that the amount of the reserve does not represent the depreciation actually sustained during that period.

Rule 50 has been added to the rules of practice regarding settlement after final determinations. After decision by the board directing computation of a deficiency in a special manner, the amount may be agreed upon by stipulation between the commissioner and the taxpayer. If not, five copies of a proposed determination must be submitted to the board with a day for presentation specified, but such day must not be sooner after filing than the number of days allowed in the board's decision.

Decision No. 80 dealt with the matter of salary expense. The entire stock of the taxpayer corporation was owned by one individual. The corporation agreed with two of its employees to give them a certain amount of stock each year for seven years as additional compensation. During the taxable year 1920 it paid the single stockholder enough money to secure the stock to be distributed over the seven-year period and sought to deduct this payment as an expense of doing business during 1920. The board held that the corporation could not deduct the whole amount but only the value of the stock actually transferred each year.

In decisions Nos. 81 and 87 the board held that there is nothing in the revenue act of 1924 from which the board derives its authority which gives it jurisdiction over taxes imposed by any statute prior to the revenue act of 1916.

Decision No. 84 dealt with a coal company which kept its books on the accrual

basis and when the price of coal slumped in 1920 deliberately broke its contract with the mines and set up an estimated allowance on its books for the taxable year 1920 to cover its liability for breach of contract. The reimbursement for the breach was not paid until 1921. The taxpayer wished to deduct the damage money for 1920. The board permitted the deduction for 1920, with three of its members dissenting, but made the proviso that readjustment of the deduction must be made to comply with the actual rather than the estimated damages paid.

Decision No. 86 deals with a claim of a taxpayer that it had purchased certain real estate on February 28, 1913, when it was bid in for \$77,000 although the judicial sale was not confirmed by the court until March 24, 1913. The taxpayer made the claim that it had acquired the property prior to March 1, 1913, and that its value at that time was \$176,000. The board held that a judicial sale is not complete before confirmation by the court and that the property was not acquired until March 24th. The gain therefore was computed on an initial cost of \$77,000.

In decision No. 88 the board ruled that the expense incurred by a contractor in defending a charge of perjury for which he was indicted is not deductible as an ordinary and necessary business expense.

In decision No. 89 the board ruled that depreciation should be computed upon the average balance of depreciable property during each year rather than upon the balance at the end of the year. The board also held that an expense billed to the taxpayer but not paid prior to the close of its taxable year is a deductible item from gross income during that year where the taxpayer makes its return on an accrual basis.

The computation of war-profits tax is dealt with in decision No. 90. Under the revenue act of 1918 a corporation was allowed in computing pre-war profits to credit a deduction of the average profits during 1911, 1912 and 1913. This taxpayer in 1913 engaged in a new venture which was a business eight times as large as that of 1911 and contended that its pre-war profits should be computed on the 1913 basis rather than on the average of 1911, 1912 and 1913. The board approved the taxpayer's contention because its 1913 business was substantially

different from that of the former partnership.

In decision No. 92 the board makes a ruling concerning a sale upon which a profits tax may be levied. The taxpayer corporation in this case sold in 1917 a quarter interest in certain oil leases for \$125,000, plus \$125,000 more earned upon subsequent development by the purchaser. There is no obligation upon the purchaser ever to drill and no well had yet been drilled. The taxpayer contended that the \$125,000 was only a conditional payment. The board, however, held that the payment was on a sale upon which a profit tax should be levied.

In decision No. 93, the board holds that the taxpayer, a bill collecting company, is a personal service corporation because its income is to be ascribed primarily to the activities of its principal stockholders who were regularly engaged in its business and that capital was not a material income-producing factor.

A ruling as to the statute of limitations is made in decision No. 94. The taxpayer corporation filed a waiver of the five-year statute of limitations on a return filed March 15, 1918, thus extending the period for assessment of the tax to March 15, 1924. In July of 1924 the commissioner sent notice of deficiency and claimed that it was not outlawed by the filing of an amended return by the taxpayer during the preceding year when the deficiency was being discussed. The board held that it had jurisdiction to hear a plea of the statute and that the five-year limitation began to run from the date of filing the original return and was not extended by the filing of an amended return.

In decision No. 97 the board holds that a taxpayer appealing to the board may set up as a ground of appeal a deduction not claimed in the original return or in any hearing before the commissioner. The board said:

"This board was not created for the purpose of reviewing rulings made by the commissioner but of determining the correctness of deficiencies in tax found by the commission. If a taxpayer can prove to this board that he is entitled to a deduction from gross income the deduction will be allowed even though it has never been claimed; otherwise it would be impossible for this board to determine the correct amount of the deficiency."

A question of jurisdiction is ruled on in

decision No. 99 in which the commissioner determined a deficiency and issued a warrant of distraint upon the taxpayer to pay the tax with interest. The taxpayer paid the face amount but declined to pay the interest and filed an offer in compromise which was rejected by the commissioner. The board held that it was without jurisdiction because it may not determine that interest is due unless such determination is made subsequent to June 2, 1924.

In decision No. 100, the board ruled on a question of surplus. An amount of \$40,000 had been charged to surplus by a taxpayer as representing an advance to a stockholder in 1915. No interest upon this advance was ever paid and no note was ever given. The board held that the evidence did not warrant a finding that the alleged account receivable of \$40,000 should be included in invested capital.

In decision No. 101 the board refused to allow a deduction for depreciation for a taxpayer which upon its organization had capitalized a contract for \$25,000. The contract had six years to run and the taxpayer corporation wished to write off a certain amount for depreciation. The board refused, holding that the evidence was insufficient to furnish any basis for computing a definite capital value inherent in the contract as of the date it was taken over by the taxpayer corporation and that there had been furnished no testimony from which there could be evolved a formula for translating the initial expectation of profits into terms of dollars and that there could not be said to have existed any determinable capital value based on this contract which was capable of having ascribed to it the kind of exhaustion which the existing statute authorizes to be written off and deducted from gross income.

In decision No. 102 the board ruled that the book value of assets at the time of dissolution of a taxpayer corporation should govern the assessment of normal and surtaxes. The taxpayer had appealed from these taxes on the ground that the actual value of the assets did not equal the book value. Among the assets were 300 accounts receivable. The taxpayers did not approve the actual value of these accounts.

In decision 103 the board refused to grant a deduction asked by a taxpayer, who had agreed with his landlord to raze an old

building to erect a new one on a 50 year lease, and sold the old building estimated to be worth \$30,000 to a wrecker for \$1,400. The taxpayer claimed a deduction as a loss of the difference between \$30,000 and \$1,400. The board held that the cost of the new building to the taxpayer constituted cost of acquiring the lease and might be written off by way of exhaustion over the period of the lease but that it was not deductible as a loss.

In decision No. 104 the board allowed a depreciation deduction for 1918 covering depreciation on patents for 1917 and 1918. The commissioner had disallowed the depreciation deduction taken in one year to cover two years. This was done after the filing by the taxpayer of his 1918 return in which he asked for no depreciation, having taken it as he thought in the prior year. In the circumstances, the board allowed the depreciation deduction for 1918 without having been claimed in the original return.

In decision No. 105 the board held that the taxpayer was not a personal-service corporation on the ground that it used capital to a considerable extent as a fund which was the basis for credit. Of its stock fifty-six per cent was held by persons actively engaged in its business, twenty-two per cent by persons acting occasionally in an advisory capacity and twenty-two per cent by persons who performed no service.

### Georgia

In the court of appeals of Georgia, division No. 1, a decision was handed down November 14, 1924, in the case of the *Bimford-Sutton Drug Company against the Continental Insurance Company*. The drug company brought action against the insurance company and secured judgment. The defendant appealed, alleging error, and the original judgment was reversed by Judge Luke. In a syllabus prepared by the court this statement of the case was made:

The policy of insurance sued upon in this case contained a provision that "the assured will keep a set of books which shall clearly and plainly present a complete record of business transacted, including all purchases, sales, and shipments, both for cash and credit, from date of inventory, as provided for in first section of this clause, and during the continuance of this policy. In the event of failure to produce such set of books and inventories for the inspection of this company, this policy shall become null and void, and such failure shall con-

stitute a perpetual bar to any recovery thereon." It clearly appearing from the evidence that the assured did not keep such a set of books, the verdict in favor of the plaintiff was contrary to law and the evidence.

The court of appeals of Georgia, division No. 1 on November 12, 1924, handed down a decision in the case of *W. B. Miller against S. M. Cottle*. The plaintiff had secured a judgment and the defendant had appealed alleging error. Judge Broyles granted a reversal of judgment. The syllabus prepared by the court says:

This was a suit upon a promissory note, and the defendant pleaded payment. After the introduction of evidence by the defendant, the court, on motion of the plaintiff, directed a verdict in favor of the plaintiff for the full amount sued for, and the defendant excepted. Counsel for both parties agree that the sole question in the case is whether the evidence offered by the defendant in support of his plea was sufficient to raise an issue of fact. While the evidence was not altogether clear as to the amount of the payments made, or as to whether they were made on the note sued upon, or when or where made, these questions were for the jury to determine, and the court erred in directing the verdict. "It is the fact of payment, and not the time or place of the payment, that is the essential fact to be proved." (*Fletcher v Young*, 10 Ga. App. 183 (3), 189 (3), 73 S. E. 38, 40; *Hawes v Smith*, 16 Ga. App. 458 (2), 85 S. E. 616.

### Indiana

There has recently taken place in United States district court at Indianapolis a trial involving officers of a defunct corporation, together with accountants whose certified statements were used in selling the securities of the corporation. The government alleged conspiracy, and the verdict resulted in the conviction of practically all of the defendants, including the two accountants. These two men had been experienced principally in insurance-company work prior to their engagement in this particular audit, and it was brought out in the trial of the case that the form of their report followed very closely the form of reports on insurance companies. The government claimed that the reports of these accountants showed gross misrepresentation of facts and values and the accountants were accordingly convicted of participation in the alleged conspiracy. New trials have been asked for and this question will be decided during the current month.

## OBITUARY

### **William D. Barclay**

William D. Barclay died November 18, age 53 years. He was a member of the firm of J. Yalden & Co. with which he had been connected for nearly forty years. He was a certified public accountant of New

Jersey, having received his certificate in 1905. He specialized in manufacturing and estate work. Mr. Barclay became a member of the Institute through his membership in the American Association of Public Accountants.

## HERE AND THERE

William G. Adkins announces the removal of his office to Room 1100, 30 North Dearborn street, Chicago, Illinois.

Joel D. Austin of Providence, Rhode Island, received the highest average of any candidate who sat in the November examinations of the Institute.

Arthur L. Baldwin announces the opening of an office at 401 Temple Court building, Denver.

Black & Co., Baltimore announce the admission to partnership of Robert Wilmer Black.

B. W. Bours, H. Edwin Nowell and A. Porter Robinson announce the dissolution of the partnership of Robinson, Bours and Nowell of San Francisco.

Thomas W. Branch announces withdrawal from the partnership of Alonzo Richardson & Co., and the opening of an office in the Connally building, Atlanta, Georgia.

Leonard J. Byers, Rochester, Minnesota has formed a partnership with Thomas J. Shannon of St. Paul, Minnesota under the firm name of Shannon & Byers. They will maintain offices in both cities.

Walter A. Coy announces the removal of his office to 712 Park building, Cleveland, Ohio.

Deloitte, Plender, Griffiths & Co., New York, announce the opening of an office at No. 3 Parisier Platz, Berlin, Germany. This office and others which have been established in Vienna, Austria; Prague, Czechoslovakia; and Budapest, Hungary, will be con-

ducted under the name of Deloitte, Plender, Binder & Co.

William Dolge & Co. announce the opening of offices at 510 Fay building, Los Angeles, California, practising under the firm name of Musaus, Dolge & Co.

Gerharz, Roddy & Co., of Billings, Montana, announce the opening of an office in the First National Bank building, Sheridan, Wyoming.

Spaulding F. Glass & Co., announce the removal of their Kansas City office to 900 Orear-Leslie building, 1012 Baltimore avenue.

Grace, Darbyshire & Todd, 6 Bridge street, Bristol, England, announce that Clifford S. Brison has been admitted to the firm. The firm name will remain unchanged.

Haskins & Sells and Deloitte, Plender, Griffiths & Co. announce the formation of copartnerships in Canada, Cuba and Mexico under the firm name of Deloitte, Plender, Haskins & Sells with principal offices in Montreal, Havana and Mexico City. The practices of both firms in Canada, Cuba and Mexico have been consolidated and will hereafter be conducted by Deloitte, Plender, Haskins & Sells. The new firms will be affiliated with Haskins & Sells and with Deloitte, Plender, Griffiths & Co. in the United States of America, Great Britain, Continental Europe, South America, South Africa and China.

Kell, Seeger & Rivers announce the removal of their offices to 504-508 Hurt building, Atlanta, Georgia.



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Lingley, Baird & Dixon announce that James Addison has retired from the firm, and that Charles A. Bennett has been admitted to partnership. The firm name will continue as Lingley, Baird & Dixon.

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Lybrand, Ross Bros. & Montgomery of New York announce the opening of offices in Berlin, Germany, with E. Elmer Staub as resident partner.

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Gilbert McMurtrie, of Milwaukee, addressed the Fond Du Lac Association of Credit Men December 8th on "The Crime Tendency". He based his address on letter-bulletin 2 on that subject issued by the committee on public affairs.

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Marwick, Mitchell & Co. have entered into a working arrangement with W. B. Peat & Co., London, England, under which both firms will practise hereafter in the United States, Canada, Great Britain and Europe under the name of Peat, Marwick, Mitchell & Co. There will be no change in the management of the firm in the respective countries.

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Mattison and Davey announce the opening of offices in the Matson building, San Francisco, and the Citizens National Bank building, Los Angeles.

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Bernard Maxwell and Harry Diamond announce the formation of a partnership, practising under the firm name of Maxwell & Diamond, with offices at 246 Fifth avenue, New York.

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Peat, Marwick, Mitchell & Co. announce the opening of an office at Johnston building, 212-214 South Tryon street, Charlotte, North Carolina.

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C. G. Robinson & Co. have opened offices in Nashville, Tennessee, in the Harry Nichol building.

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Rowland, Thomas & Company announce the opening of an office at 403 Stapleton building, Billings, Montana.

James F. Smyth and B. W. Bours announce the formation of a partnership, under the firm name of Bours & Smyth, with offices in the Crocker building, San Francisco, California.

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Temple, Brissman & Co., announce the retirement from their firm of J. A. Cull and T. J. Shannon, and the removal of their Fargo, North Dakota, office to the Stone building.

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Thomas & Moore announce the removal of their offices to suite 220, Bartlett building, Los Angeles, California.

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Wiegner, Rockey & Co., Drexel building, Philadelphia, announce that William H. Welcker has been admitted to membership in the firm.

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Mark Wolff announces the removal of his office to 50 Madison avenue, New York.

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John Zimmer and Harry R. Howell announce the formation of a partnership, practising under the firm name of Zimmer & Howell, with offices at 305 Kanawha National Bank building, Charleston, West Virginia.

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A modern standardized system of accounting is to be installed in the several departments of the city and county of Honolulu, Hawaii. Preliminary surveys are now being made.

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The city of Knoxville, Tennessee, has installed an accounting system like that of banks which enables it to make a daily financial statement. Economies which have been effected have enabled the city to return to taxpayers \$300,000. Cheques have been sent to those who paid taxes and a deduction is to be made to those who have not paid.

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A cost accounting system for motor trucks especially adapted to the wholesale grocery business is announced by New York university through its bureau of business research.

*Bulletin of American Institute of Accountants*

The following information in regard to activities of members of the Institute is derived from report blanks sent out by the bureau of public affairs:

D. Austin of San Francisco addressed the Credit Men's Association of that city on the subject of income taxes, December 10, 1924.

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L. G. Battelle, of Dayton, Ohio, served as captain of a team in the community-chest campaign conducted in that city over a period of ten days.

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Arthur F. Barnes addressed the Robert Morris Associates of St. Louis on November 19, 1924 on the question: "Has the Country Gone Time-Payment Mad?"

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David Berdon spoke before the New York State Society of Certified Public Accountants at the Yale Club on accountants' statements for credit purposes, on November 10, 1924. He has also recently written two articles, one for *Dresses* on corporate or non-corporate form, and one for the *American Bankruptcy Review* on an accountant's viewpoint of the bankruptcy situation.

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Reynold E. Blight, of Washington, D. C., addressed a faculty meeting of the Washington school of accountancy on the cultural value of accountancy courses, on November 8, 1924.

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Lewis D. Blum, of New York, is serving as a member of the accountants' committee of the Arbitration Society of America.

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Charles F. Coates, of Hartford, Conn., conducted a meeting and led a discussion of papers for the Hartford chapter of the National Association of Cost Accountants, on November 18, 1924.

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C. H. Compton of Trenton, N. J., addressed the Kiwanis club of that city on December 17 on the crime tendency. He also prepared an article on losses from financial crime which was published in *Trenton*.

Clem W. Collins, of Denver, Colorado, is chairman of the taxation committee of the City club, and represented the city of Denver before the state board of equalization in a hearing on the equalization of taxes, as a result of which Denver's contentions were sustained. He is serving also as manager of revenue of the city and county of Denver, which includes the assessor's and treasurer's departments. He is a member of the accountants' committee of the community-chest, which has the responsibility of seeing that all organizations receiving funds from the community chest are audited by certified public accountants.

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L. U. Crawford, of Kansas City, is the author of an article on building and loan associations exempt from federal tax which appeared in the September issue of the *National Income Tax Magazine*.

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William Dolge, of San Francisco, addressed the Accountants' Educational Institute of Los Angeles on the profession of accountancy, on November 5, 1924.

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Joel Hunter, of Atlanta, Georgia, addressed the Atlanta life insurers on December 11, on estate and inheritance taxes as applied to life insurance.

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Caddie H. Kinard, of Eldorado, Arkansas, addressed the Rotary Club of that city on November 26, 1924, on the revenue act of 1924 as compared with the revenue act of 1921.

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Anthony B. Manning, of New York, addressed the New York Society of Accountants at the Hotel McAlpin on problems in cost accounting.

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J. E. Masters, of Boston, participated in a meeting on December 9th on commercial arbitration, conducted by several Massachusetts organizations at the Massachusetts state chamber of commerce.

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J. Emory Mills, of New York, recently assisted in organizing the New Dorp board of trade of New Dorp, Staten Island, of which he is temporarily acting as treasurer.

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Aaron J. Moyer, of Pittsfield, Mass., addressed the Kiwanis club of that city on November 5th on budgeting for better management. He also acted as team captain during the recent community-chest drive and served as accountant.

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John W. Snider, of St. Louis, addressed meetings at St. Louis university on income tax and accounting, on October 10, 17 and 24, 1924.

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R. S. Osborne, of Kansas City, is chairman of the cost accountants' group of the Kansas City chamber of commerce. At a recent meeting the topic for discussion was cost accounting as an aid to production. Mr. Osborne has just been appointed on the public finance committee of the chamber of commerce.

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Paul K. Knight, of Kansas City, Missouri, is chairman of the public finance committee of the Kansas City chamber of commerce.

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Paul W. Pinkerton, of Chicago, addressed the Chicago college of finance on inheritance and estate taxes, on November 3, 1924. He is serving on the legislative committee of the Indiana Association of Certified Public Accountants, which is drafting a new measure, regulating the practice of accountancy, to be introduced in the Indiana legislature.

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Walter A. Staub, of New York, is a member of the board of education of Millburn Township, New Jersey.

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Joseph H. Van Dorn, of Philadelphia, is the author of an article on inheritance taxes, the rising tide of confiscation by taxation, which appeared in the Philadelphia chamber of commerce news bulletin.

Charles Weissinger, of Philadelphia, is a member of the board of commissioners of Haverford township, Delaware county, Pennsylvania, for a term of four years.

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Arthur W. Wilmott, of Brooklyn, addressed the Flatbush Chamber of Commerce on November 19 and introduced a resolution urging congress to repeal section 257 (b) of the revenue act of 1924. The resolution was unanimously carried. It was prepared by Mr. Wilmott as chairman of the budget and taxation committee of the chamber.

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John Seth Williams, of New York, is serving as a member of the accountants' committee of the New York county chapter of the American Red Cross.

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A. C. Upleger, of Waco, Texas, addressed the Rotary club of El Paso on certified public accountants on November 13th and spoke before the university of Texas at Austin, on the profession of accountancy, on November 20th. Mr. Upleger is a member of the board of directors of the Waco chamber of commerce and has served on several special committees. He is a member of the executive committee of the Waco Red Cross and acted as chairman of the auditing committee for the Waco community chest in its annual drive.

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Morley S. Wolfe, of New York, is the author of an article which appeared in the *Office Employees' Journal* on "Some of the ways a stenographer may find leading to real success." He is serving as secretary of the committee on clothing manufacturers of the New York State Society of Certified Public Accountants.

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V. Frank Banta, of Chicago, prepared an article on cost accounting which was published in the *Manufacturers' News* of Chicago, on December 6th.

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Arthur E. Chandler, of Akron, Ohio, addressed the Summit County Association of Building Supply Dealers on December 11th.

# Bulletin Supplement

January 15, 1925.

## To the Members and Associates of the American Institute of Accountants:

The board of examiners has considered the examination papers of all applicants for admission to the Institute and finds that of 37 applicants for admission as members, 13 passed in all subjects, 1 failed in all subjects, 4 were eligible without further examination, having already taken the Institute examinations for a C. P. A. degree, and 19 were eligible under the credit-for-other-examination clause. Of 21 applicants for admission as associates, 6 passed in all subjects, 3 were conditioned in one subject, 3 failed in all subjects, 6 were eligible without further examination, having already taken the Institute examinations for a C. P. A. degree, and 3 were eligible under the credit-for-other-examination clause. Eight associates were eligible for advancement to membership.

The record of the board of examiners shows that, of the Institute applicants, Joel Dibble Austin passed the written examination with distinction.

The following have been recommended by the board of examiners for election (the names appear in alphabetical order):

### For advancement to membership:

Ralph Rudolph Bishop, New York  
Simon Grossman, New York  
Elbridge Lennon Lord, Chicago  
John Ramsey Fincher, New York  
Edwin Bernard Hathaway, Hartford  
Homer Lee Miller, Chicago  
Frank Ralph Wheeler, Philadelphia  
Walter Edward Williams, New York

### For admission as members:

Joel Dibble Austin, Providence  
Robert Burns Benedict, Oklahoma City  
Edward J. Buehler, New York  
Thomas Francis Xavier Campbell, St. Louis  
John P. Cash, Minneapolis  
Lucius Henry Coleman, New York  
Olin Ray Dean, Little Rock  
Max Frederick, New York  
Wilfred L. Hagerty, Providence  
George Arthur Jackson, Rochester  
William Hardin James, Atlanta  
Francis Stewart Lamb, Oshkosh  
Eugene Raymond Lewright, Detroit  
Charles Mackie, Los Angeles  
Murdock Wright MacLachlan, Havana  
W. Webster McCann, Boston  
Howard Wilson McClurken, Philadelphia  
Alonzo Lee Miles, Baltimore  
Alexander Joseph Morin, Chicago  
William Joseph Murray, Detroit  
Walter Alexander Musgrave, Hartford  
Warren Walmer Nissley, New York

Robert Ellsworth Payne, Chicago  
Joseph Frank Petgen, Pittsburgh  
Charles H. Plate, St. Louis  
Charles Albert Reydel, New York  
John Louis Ricker, Philadelphia  
James Rose, Scranton  
Wilfred Dunlea Rush, Pittsburgh  
William Hutchings Vankirk, Philadelphia  
George Walters, Philadelphia  
Camille Weis, New Orleans  
James William Weiss, Philadelphia  
Ward Maurice Willits, Kansas City, Mo.  
Mark Wolff, New York  
Paul C. Zaenglein, Rochester

### For admission as associates:

George Herbert Abbott, Little Rock  
John Joseph Bachmann, St. Paul  
Edward G. Borjes, New York  
Ralph Romaine Bruster, Boston  
Burnell Hamilton DeVos, Los Angeles  
Leon Alsid DuBois, Philadelphia  
Earle Moulton French, Boston  
Hugh Godfrey Humphreys, Tulsa  
Robert Bruce Lauder, Binghamton  
Robert Cowan MacBain, New York  
William Merkle, Chicago  
Arthur Bensell Poole, St. Paul  
David McEwan Watson, Philadelphia  
Lloyd L. Wilkinson, Jr., Columbia, S. C.  
George Rowland Young, Waterbury

The fact that these applicants have been recommended by the board of examiners does not necessarily carry with it election, which depends upon the action of the council. The council will vote by mail ballot upon the names of those recommended. If protest is to be made against the election of any applicants mentioned in the list, such protest should reach the offices of the Institute by February 1st.

A. P. RICHARDSON, *Secretary*.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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FEBRUARY 16, 1925

SERIES B, No. 10

### Cooperation with War Department

On January 16th there was held in Washington, at the request of the secretary of war, a conference between officers of the war department and representatives of the construction industry of the country looking to the formation of plans for national defense especially in regard to construction.

The conference opened with an address by the secretary of war, who, after expressing a cordial welcome, outlined in general terms the purpose of the conference, and thereupon stated that features of the plans of the department would be outlined in more detail by his officers, who in turn would cover certain phases of the plans. The officers taking part in this way were: General Davis, assistant secretary of war; General Hart, quartermaster general of the army; W. J. Johnson, lieutenant colonel of the general staff.

Thereafter formal papers were read to the meeting by members of the "Civilian conference committee on war department construction," (which had been organized in October), as follows: one relating to "War-time service construction" by Francis Blossom, and another "War-time procurement of material" by Brigadier General Willcutt.

Following a general discussion other members of the conference committee addressed the meeting on various phases of construction activities, coupling with their remarks a recital of experiences gained in the execution of the government's construction programme in the recent war.

The Institute's representatives, appointed to attend this conference, were: Arthur W. Teele, W. Sanders Davies and William H. West; the two latter being members of the conference committee mentioned above.

It is the intention of the secretary of war to have the above-named committee continued as a permanent body.

### Election of Members

The president of the Institute has declared elected as of February 1, 1925, the applicants for admission as members and associates respectively, whose names were printed in a supplement of *Bulletin* series B, No. 9.

### Payment of Dues

The time for payment of dues to the American Institute of Accountants for the current fiscal year expired January 31st. Under the provisions of the by-laws membership automatically terminates with that date if dues remain unpaid. Four members were dropped from the rolls of the Institute under this provision of the by-laws.

### Board of Examiners

At a meeting of the board of examiners of the Institute held February 3rd it was resolved that the spring examinations should be held May 14th and 15th.

The board will be glad to receive from members of the Institute or from members of coöperating state boards, questions and problems which might be of service in the preparation of the examinations. Letters requesting such assistance will be sent to all members of the council, committees and state boards coöperating, but all members of the Institute are cordially invited to assist the board of examiners in this way. The board feels that by enlisting the coöperation of many accountants in different parts of the country the range of examination questions may be considerably broadened and the examinations themselves strengthened.


## Standard Invoice Form

In 1921, a national standard invoice form was prepared jointly and officially endorsed by several organizations. This form has since been approved by thirty-eight trade associations, which have recommended its use by their members.

On January 14, 1925, a national conference was conducted by the department of commerce at Washington at the request of the National Association of Purchasing Agents. Representative organizations were invited to send delegates and the Amer-

ican Institute of Accountants was represented by George Rea, New York. The conference was called for the purpose of determining whether the standard form of invoice could be improved as a result of nearly four years use. Several suggestions were offered, some of which were found to apply only to the requirements of a limited number of users. As to the others of more general interest, the form is believed flexible enough to meet their conditions. The conference, thereupon, unanimously adopted the following form previously endorsed:

*Facsimile of the National Standard Invoice Form*



**National Association of Purchasing Agents**  
Woolworth Building, New York

Ord. No. & Date  
Requisition No.  
Contract No.  
Shipped To  
Destination

Invoice Date  
Invoice No.  
Shipper's Order No.

columns reserved for use of customer.  
P. A. Invoice No.  
Voucher No.

Terms:  
Net Cash

With order  
F. O. B. point  
Price  
Calculations  
Transportation  
Trans. Chgd. Back

Date Shipped  
Car No. and Int.  
How Shipped and Route

From

F. O. B.

DESCRIPTION	QUANTITY (show unit)	PRICE PER UNIT	AMOUNT

Above Materials received \_\_\_\_\_ 192\_\_\_\_ and found \_\_\_\_\_ satisfactory (Signed) \_\_\_\_\_ (Title) \_\_\_\_\_

Charge Account \_\_\_\_\_ Approved \_\_\_\_\_ Approved \_\_\_\_\_

N. A. P. A. S

The national standard invoice form provides space for necessary information for vendor and customer so conveniently arranged for both as to render unnecessary rubber-stamp instructions. At the left and also below the customer's name and address are the vendor's notations for the benefit of the customer. In the center, above the customer's name, are data of interest to the vendor only. The items in the right block and below the body of the invoice are left blank by the vendor for the customer's use.

The alignment and spacing may be suited to any typewriter or billing machine, or to

handwriting, maintaining their relative position and the standard size of the sheet, 1-1/2 inches wide and from 7 to 14 inches long. Two manufacturers announced that they will adapt their billing machines to the standard form. As illustrated above, only four movable stops are needed to align all matter to be typed, unless it is desired to accumulate the total billings, when a column for the invoice total and a fifth stop are needed. It will be noted that the vendor types nothing in the block above the amount column, so that the use of this form does not interfere with the accumulation of the total billing.

## **Regional Meetings**

### *Cincinnati*

The committee in charge of arrangements for the regional meeting to be held at Cincinnati is engaged in making preparations and definite announcement of the programme will be published in the near future. Ernest A. Roden, Fourth National bank building, Cincinnati, is the chairman of the committee. This region consists of western New York, western Pennsylvania, West Virginia, Ohio and Indiana.

### *Dallas*

The spring meeting of the midwest region will be held at Dallas, May 7, 8 and 9, 1925. The programme will be completed in the near future. The chairman of the committee is Loyd B. Smith, Praetorian building, Dallas.

## **Income-tax Forms**

Inquiries have been made as to the number of income-tax forms which may be supplied to accountants by internal revenue offices. In a letter on the subject, D. H. Blair, commissioner of internal revenue says:

"It is the policy of the bureau to have the collectors of internal revenue distribute to taxpayers, as their needs demand, a reasonable supply of the forms in question, but at the same time to use every precaution in the interests of governmental economies in expenditures not to distribute them indiscriminately or unnecessarily. I would suggest that you instruct the members of your Institute who need more than the ordinary supply of tax return forms in their practice to either apply in person to the chief office deputy of the collector's office concerned and explain fully to him their needs or to write a communication to that official giving this information and have the same delivered by someone in person who is directly associated with the party desiring the forms. If there are any further complaints filed with you of the character outlined in your letter you will please inform this office and the matter will be taken up personally with the collector or collectors concerned."

One of the Washington letter services reports that because of the discussions caused by the Couzens investigating committee concerning alleged laxity and lack of uniformity in depletion allowances made by the bureau of internal revenue, there are indications that the bureau may reopen and re-audit a number of important cases, especially those of copper, oil and coal companies.

## **American Association of University Instructors in Accounting**

The officers of the American Association of University Instructors in Accounting elected at the annual meeting are: president, Roy B. Kester, Columbia university; vice-presidents, William S. Krebs, Washington university, St. Louis, J. Hugh Jackson, Harvard university, David Himmelblau, Northwestern university; secretary-treasurer, Edward J. Filbey, university of Illinois, Urbana, Illinois.

## **International Chamber of Commerce Meeting**

The American Institute of Accountants has been invited to send representatives to attend a meeting of the International Chamber of Commerce to be held at Brussels, Belgium, June 21-27, 1925.

The president of the Institute will appoint a delegation, and has requested that members who expect to be in the neighborhood of Brussels at the dates mentioned advise the Institute accordingly. The president is anxious to appoint as representatives members who will be able to attend.

## **Commercial Arbitration**

In view of the interest which the American Institute of Accountants has taken in the question of arbitration of commercial disputes, the president of the Institute addressed a communication to the United States senators requesting favorable consideration of the bill then before the United States senate dealing with this question. Mr. Niven's letter reads as follows:

"There is pending in congress a measure to provide for the arbitration of commercial disputes, known as S. 1005.

"The American Institute of Accountants at its annual meeting in Washington, September, 1923, endorsed the principle of commercial arbitration, and since then has given its support to movements in various states to enact commercial arbitration legislation. It has published also a letter-bulletin on this subject, a copy of which is enclosed.

"The Institute is a non-partisan, non-political organization, formed for the purpose of setting up and maintaining standards for the profession of accountancy. It does not as a rule concern itself with the adoption or rejection of measures pending in congress or before the various state legislatures. It believes, however, that the measure now before congress, known as "A bill to make valid and enforceable written provisions or agreements for arbitration of disputes arising out of contracts, mari-

time transactions, or commerce among the states or territories or with foreign nations," is one worthy of its support.

"The Institute bespeaks your favorable consideration of this measure."

The commercial arbitration bill adopted by the house of representatives was later substituted for S. 1005, and was passed with amendments by the senate on January 31. The bill is now before the president.

The president of the Institute has appointed a sub-committee to participate in the effort to obtain amending arbitration legislation in the state of California. The committee consists of E. V. Rowe, chairman, member of the committee on public affairs, R. W. E. Cole of Los Angeles and Albert J. Watson of San Francisco.

### **Activities in Indiana**

Public accountants of Indiana were recently called upon to take part in two state-wide movements, one in behalf of tax revision and economy and the other in preparation of a new blue-sky law.

George E. Morgan, Indianapolis, president of the Indiana Association of Certified Public Accountants, was appointed a member of a state representative committee organized to draft a new-blue sky law, which has been prepared and is before the legislature. Its passage is regarded as likely and it is reported to be a great improvement over the existing blue-sky law.

George B. Buist, Fort Wayne, represented the Indiana association on a committee organized by the Indiana state chamber of commerce as a part of its movement for tax revision and economy which has as its purpose the attainment of a better administration of public expenditures. A study was made of the tax systems of Indiana and of nine other states and a platform of principles was adopted. The conference report expresses the views not only of the state chamber of commerce but of ten other leading business organizations of the state, one of which was the Indiana Association of Certified Public Accountants. The report is to be submitted to the present legislature in the form of bills and resolutions for passage.

### **National Distribution Conference**

On January 14th and 15th more than two hundred business men, principally execu-

tives who were also officers of trade organizations, met in the chamber of commerce at Washington, D. C., to discuss the growing discontent with the existing methods and cost of distributing commodities to the consumer. The American Institute of Accountants was represented by George Rea, New York.

The only formal address was made by the secretary of commerce, Herbert Hoover. The following programme was submitted as covering the possible scope of the examination that would have to be made.

#### **1. Collection, coordination and dissemination of business figures as a means toward accomplishing economies in distribution:**

- (a) Periodical comparisons of:
  - (1) Quantities of certain commodities produced and on hand.
  - (2) Prices of the same commodities at wholesale and at retail, for giving distributors a knowledge of market conditions in order that intelligent buying and selling policies may be adopted and extreme market fluctuations avoided.
- (b) Census of distributors substantially like the census of manufacturers now conducted by the department of commerce.
  - (1) To judge the relative need for more or less establishments in various localities.
  - (2) For the elimination of wasteful marketing efforts.
  - (3) For the estimation of accurate sales-quotas.

#### **2. Trade relations:**

- (a) Methods for reducing the losses due to cancellations of orders and returns of merchandise.
- (b) Ways in which better credit practices may be established.
- (c) Promotion of the highest ethical standards.
- (d) Practical means toward the investigation of complaints, the conciliation of disputants and the arbitration of claims.

#### **3. Advertising and advertising mediums:**

- (a) Coordination of research in order:
  - (1) To avoid duplication of work by the interchange of non-confidential figures.
  - (2) To increase the net results of research by a unification of effort.
- (b) Methods for arriving at the economic aspect of advertising.
- (c) Services of advertising in the efficient distribution of merchandise.

#### **4. Expenses of doing business:**

- (a) Services:—To determine as nearly as possible those which contribute to the facility of distribution.
- (b) Adoption of uniform systems in recording the costs of doing business to serve as comparisons for distributors in studying their own costs.
- (c) Principles upon which credit should be based and its relation to "good" and "bad" times.
- (d) Loss due to bankruptcy and lack of capital.



(e) Methods for arriving at the most economical rates of turnover and their effect upon expenses.

(f) Simplification in its relation to the number of varieties, styles and sizes and to "hand-to-mouth" buying.

5. *Methods of distribution:*

(a) Causes for various channels, such as manufacturer to wholesaler to retailer to consumer.

(b) Mail orders and house-to-house methods of sales and the economic results thereof.

(c) Chain stores and independent dealers; differences in functions.

(d) Public warehousing and its place in distribution.

(e) Proposed entry of the federal government into the business of distribution.

6. *General conditions affecting distributions:*

(a) Legislation favorable and unfavorable to the most efficient distribution.

(b) Government relations to distribution and the aid which the various departments and bureaus may give in the collection and publication of facts and figures.

(c) Methods for giving a wider understanding of the necessary expenses attending distribution and the reasons for certain practices.

After an all day session, the delegates formed themselves into six voluntary committees, each of which took up one section of the above tentative programme and discussed ways and means of making the proposed enquiry.

On the morning of the 15th, the chairman of the several committees reported to the conference that the programme was almost unanimously approved, whereupon it was decided to appoint six committees to make the investigation and report at future conferences. Chairmen were appointed, who with the coöperation of the chamber of commerce of the United States will choose their committees and direct their work.

Robert Ellis, President of Hessig-Ellis Drug Co., Memphis, Tenn., is chairman of the committee on expenses of doing business.

Owen D. Young has been invited to head the committee on collection of business figures.

Inasmuch as it is proposed to investigate the whole field of distribution and as each commodity has its own peculiar conditions from which arise problems often entirely unlike those of other commodities, it is believed that the trade organizations offer the most favorable field for the work of these committees and can more readily secure data from their members than could an outside organization. The expenses of doing business, in which accountants are chiefly in-

terested, can neither be condemned nor justified unless they are classified according to the kind of services rendered. Different kinds of service are rendered by the wholesaler, by the retailer, by the manufacturer who sells to either wholesaler or retailer or to both and by the manufacturer who sells directly to the consumer in whole or in part. These conditions must be recognized if an intelligent comparison of expenses is to be made. Public accountants are better qualified than is any other profession or class of business men to assist the committee on expenses of doing business. Their work, if they are called upon to serve, will not be the compilation of data but giving counsel as to the kind of data to be secured, how they can be most effectively compiled and preparing comparative analyses of the statistics.

### **Rapid Transit Differences Adjusted**

The recent adjustment and final accounting of disputed items concerned with the invested costs of construction and equipment of the subway systems of greater New York and with the operating income relating thereto are matters of general accounting interest. Through the efforts of committees competent to determine and apply professional and technical principles to the disputed matters, expensive litigation has been avoided and satisfactory settlements have been accomplished. The work of the committee charged with securing final determination and disposition of the matters in dispute involved consideration of accounting, legal and engineering questions, many of which, particular to the contracts concerned and lacking precedents were controvertible.

As the net result, gratifying to the committee representing the transit commission of New York state and its chief engineer, in coöperation with committees of officers and staffs of the two companies operating the rapid transit systems, the following things have been accomplished: withdrawal from formal arbitration (as a contractual prerequisite to litigation) of sundry items of reported costs to which objection had been made; adjudication by agreements (later confirmed by legal stipulations) of all but two of the matters in dispute; final disallowance of approximately \$8,500,000 claimed by the companies as part

of their contributed investment in subway construction and equipment; restoration to the rapid-transit operating income, pooled with the city, of expenses and diverted income in the further amount of approximately \$1,250,000 to which there had been objection.

The committee appointed by the transit commission to represent the state and city of New York consisted of John E. Cooper,

member of American Institute of Accountants, chief of accounting and valuations bureau, chairman, Frederick Wilcock, division engineer, and William G. Fullen, chief counsel. The committee reports are published in *41st Determinations of Cost of Rapid Transit Railroads* issued by the chief engineer of the commission and became effective by statutory action as of January 21, 1925.

## **COMMITTEE ACTIVITIES**

### **State Legislation**

The committee on state legislation is giving consideration to all bills introduced in state legislatures relative to the practice of accountancy. As information in regard to introduction of such legislation is reported by the various agencies in the employ of the Institute the matters are taken under consideration by the committee and are also reported to leading accountants in the states concerned. In some cases the committee has found it necessary to recommend that proposed legislation be radically amended before enactment. In other cases the legislation has not been opposed in any way by the committee.

The committee is ready to assist accountants in all parts of the country in preventing the enactment of undesirable laws or in the introduction and passage of legislation which would be for the benefit of the profession. Such assistance will be rendered upon request.

### **Executive Committee**

At a meeting of the executive committee held January 15th a request was received from The Journal of Accountancy, Incorporated, for an expression of opinion in regard to advertising offered for publication in the magazine. The committee resolved that it be recommended to The Journal of Accountancy, Incorporated, that all advertisements accepted for publication should be supported by reasonable evidence of statements made in such advertisements.

### **Special Committee on Public Affairs**

The committee on public affairs has made a definite move to enlist the active support and coöperation of state societies and chapters of the Institute. During the past two weeks letters have been addressed to presi-

dents of all local accountants organizations of which the Institute has record, asking whether or not the organizations are willing to coöperate with the Institute's committee on public affairs and if so, the extent and form that coöperation might take.

Replies already have been received from several of the organizations addressed.

Stanley G. H. Fitch, president of the Massachusetts Society of Certified Public Accountants and of the Massachusetts chapter of the American Institute of Accountants, expresses the belief that both the Massachusetts organizations will be glad to coöperate with the Institute's committee on public affairs. The question will be submitted to the organizations at their March meetings. In the meantime the executive committee of the Massachusetts society will give the question consideration.

Lewis G. Fisher, president of the Providence chapter of the Institute, assures the committee on public affairs that that chapter will be glad to give its full coöperation.

W. M. LeClear, president of the Illinois chapter of the Institute, writes that he will be glad to be of assistance to the committee.

B. C. Wallace, president of the South Carolina Association of Certified Public Accountants, writes that the general ideas suggested by the committee meet with his approval as an individual and that he is satisfied that his society will be glad to coöperate with this committee in every possible way.

Arthur E. Chandler, president of the Northern Ohio chapter of the Institute writes that he will be glad to take up the inquiry of this committee with the members of the chapter and that an official reply may be expected soon. He says in part: "Personally, I am heart and soul in sympathy with the activities of the bureau of

public affairs for I can see that it is very important that the high professional standards of the American Institute be known to all successful business men, as it is reasonable to assume that any accounting firm that does not adhere strictly to the rules of conduct of the Institute is not entitled to the confidence of the business world."

A. F. Wagner, president of the Minnesota chapter of the Institute, writes that he feels sure that the Minnesota chapter will be glad to cooperate and that it will give its support to any workable plan that may be presented.

George M. Hofford, president of the Texas chapter of the Institute, writes that he has laid the matter of cooperation with the committee before all members of the Texas chapter.

James A. Councilor, president of the District of Columbia Institute of Certified Public Accountants, writes the committee that the question of cooperation on the part of his organization will be laid before the board of directors on March 2nd.

William Dolge, president of the California State Society of Certified Public Accountants, writes that both the San Francisco and the Los Angeles chapters of that Society will be glad to cooperate with this committee. The form of that cooperation is yet to be determined.

C. H. Reimerth, president of the Wyoming Society of Certified Public Accountants, writes the committee that his society will gladly cooperate in whatever way the committee may suggest, consistent with the practice in Wyoming.

O. G. Richter, president of the Pittsburgh Chapter of the Pennsylvania Institute, writes the committee that the chapter is willing to cooperate in every possible way with the committee.

D. J. McCullough, president of the North Carolina Association of Certified Public Accountants, writes that he personally favors cooperation between his association and the committee and that he is referring the matter to the association's committee on public affairs for action.

George E. Morgan, president of the Indiana Association of Certified Public Accountants, will submit the question of cooperation to the board of directors. He writes that he personally is in favor of ex-

tending to the Institute all possible cooperation.

Ernest A. Roden, president of the Southern Ohio Chapter of the Institute, writes that the chapter will cooperate with the committee, and that the form which such cooperation may take will be determined by the members at an early meeting.

Several state societies and chapters of the Institute already have named committees on public affairs. Both the San Francisco and Los Angeles chapters of the California state society have appointed such committees. They expect to arrange for the publication of a series of articles by California members of the profession having special reference to the relation of accountancy to banking. William Dolge, president of the California society, announces the personnel of the two new committees as follows: San Francisco—Myrtle Cerf, chairman, N. L. McLaren, W. R. R. Kilroe, C. E. Cornell, Henry Rand Hatfield, Arthur E. Bechtold; Los Angeles—Geo. M. Thompson, chairman, Harry W. Moore, L. H. Rogers, Oscar Moss, H. M. Thomson.

Among other local accountants' organizations which have appointed committees on public affairs are the Pittsburgh chapter of the Pennsylvania Institute of Accountants, Harvey W. Watkins, chairman; the Florida Society of Certified Public Accountants; the Illinois Society of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. The committee asks for information from local societies as to the organization of committees on public affairs.

The idea of coordinating the work of various local societies' committees on public affairs with that of the committee on public affairs of the Institute was first given expression during the annual meeting of the Institute in St. Louis, in September, 1924, at an informal luncheon attended by twenty representatives of local organizations. At that luncheon unanimous approval was given to the proposal.

From the replies to its letters of inquiry and from its experience during the past year in developing the public service that public accountants may reform and in securing press and other recognition, the Institute's committee on public affairs hopes to involve a definite programme that will be both acceptable and practical.

## *Bulletin of American Institute of Accountants*

In a letter from Homer S. Pace, chairman of the committee, to the presidents of chapters of the Institute and of other local organizations the following statement was made:

The Institute's committee on public affairs was organized to encourage public service on the part of practising accountants and to obtain press and other recognition of notable services given by individual accountants and by the profession. It is impracticable here to recount the results already achieved—suffice it to say the results have far exceeded our original expectations.

Members of the Institute's committee on public affairs believe that with the coöperation of the local organization still greater strides may be made than in the past year.

The last six weeks have been a period of intensive effort by the committee in the preparation of letter-bulletin 3 on credit frauds, which is fast taking shape. Material has been sought from widely separated sections of the country in the form of statements and opinions of the men best qualified to be heard on the subject of credit frauds, and it is hoped that the forthcoming letter-bulletin will be a comprehensive review of the subject which will not fall below the standard set by the committee in previous publications.

Copy has been prepared for a revised geographical list of members and associates of the Institute as of February 5. This will be issued in booklet form for joint distribution with copies of letter-bulletin 3.

The committee is desirous of obtaining copies of publications issued by various chapters and state societies for the purpose of making a detailed study of the forms that such publications have taken and of the ground covered. It will be glad to receive sample copies and back numbers of such publications.

The committee is gratified with the nature and extent of public service that is being performed by members and associates of the Institute as revealed in the information contained in the monthly report blanks returned to the committee. During the month forty-six reports have been received of which five dealt with November activities, thirty-six with December activities and five with January activities.

Two report blanks accompany this number of the Institute's *Bulletin* as it goes to members and associates of the Institute, one for use in reporting January activities and one for February activities. This will en-

able the committee to keep more closely in touch with the public-service work that is being done by members and associates. Hereafter one report blank will go out each month, on the 15th, for reports of activities of the current month.

Among the outstanding public services reported to the committee during the month is that of William P. Field, an Institute member of Havana, Cuba, who, as vice-president of the American chamber of commerce of Cuba, attended a meeting of the National Federation of Economic Corporations called for the purpose of taking action on the Hay-Quesada treaty which has been pending in the United States senate for twenty-two years. Under the terms of this treaty complete sovereignty would be granted to the republic of Cuba over the Isle of Pines. Mr. Field, as the delegate of the American chamber of commerce of Cuba, signed a resolution adopted by the National Federation of Economic Corporations. The American chamber of commerce of Cuba at a special meeting endorsed his action. The resolution requests the ratification of the treaty by the United States and in its preamble presents the arguments supporting Cuba's claim to sovereignty over the Isle of Pines. Mr. Field is also chairman of the American Red Cross of Cuba, is treasurer of the Anglo-Saxon hospital and a member of its executive committee.

Other outstanding public services which were reported were performed by George E. Morgan of Indianapolis, president of the Indiana State Association of Certified Public Accountants, and by George B. Buist, of Fort Wayne, who were called upon to take part in two state-wide movements, one for tax revision and economy organized by the Indiana state chamber of commerce, and the other for a new blue-sky law. Details are given elsewhere in this *Bulletin*.

The National Vigilance Committee has asked for 500 copies of letter-bulletin 2 on *The Crime Tendency*.

Copies of letter-bulletins 1 and 2, on *Arbitration* and *The Crime Tendency* respectively, are being sent by the committee to all certified public accountants who are not members of the Institute of whom the Institute has record, together with an offer by the committee to coöperate with any of those accountants who wish to engage in any of the activities suggested by the committee.

P. M. MacCutcheon, an Institute member of Charleston, West Virginia, is interesting himself actively in the enactment of a commercial arbitration law in his state. He has secured a promise from one of the state legislators that he will offer the bill to the legislature at this session, and that it will be referred to the judiciary committee. Mr. MacCutcheon believes that there will be little or no opposition to the measure.

Joseph Mayper, director of legislation of the Arbitration Society of America, writes: "We are delighted at the very effective coöperation of members of the Institute in connection with our legislative work."

The bureau of public affairs on February 5th sent eighty articles to as many newspapers in the twenty-six cities in which reside the fifty-one new members and associates admitted to the Institute February 1st and the nine associates advanced to full membership.

One thousand copies of letter-bulletin 1 were sent to the Confectionery Arbitration System.

Alexander Wall, secretary of the Robert Morris Associates, has notified the committee that he is making special reference to letter-bulletin 2 in an early number of the bulletin of his organization.

The committee's exhibit, consisting of newspaper and magazine articles and other material, was displayed at a meeting of the Philadelphia chapter of the Pennsylvania Institute of Accountants held January 19th. This exhibit is available for display at meetings of Institute chapters and state societies.

Through the efforts of the committee, a speaker on commercial arbitration was provided for the Youngstown Association of Credit Men.

Fifty copies of letter-bulletin 2 were supplied for the use of the City Pastors' Association of Dallas, Texas. Members or associates who wish supplies for ministers' organizations may have them on request.

More than one hundred newspaper clippings have been received of the announcement sent out relative to the results of the November certified public accountant examinations conducted by states in coöperation with the Institute. The following taken from *The Spokesman-Review* of Spokane, Washington, is typical of the items that appeared:

"New York, Jan. 3.—(By Associated Press.)—Less than one-third of the candidates who tried the examination November 13 and 14 for certified public accountant registration conducted in 29 states and the Territory of Hawaii succeeded in passing, according to the American Institute of Accountants, which prepared the examination. There were 509 candidates, of whom 153 passed, 122 were conditioned, and 233 failed. The state boards of accountancy coöperate with the institute in conducting the examination. Papers are rated both by the Institute's board of examiners and by the state boards. California was first with 40 successful candidates, and Indiana second with 24."

Newspaper and magazine articles on various topics have been sent to Charleston, West Virginia; San Francisco, California; Rochester, New York, and to Atlanta, Georgia.

Subscriptions to the budget of the Committee on Public Affairs total \$22,530.50, of which \$15,704.25 has been paid.

## STATE LEGISLATION

### Constitutionality of Restrictive Laws

At the meeting of council of the American Institute of Accountants on September 15, 1924, a report of a special committee on restrictive legislation was received and the recommendations contained in it were adopted. In the report it was stated that in the opinion of the committee the principle of restrictive legislation should receive the endorsement and approval of the American Institute of Accountants, and that the committee on state legislation should be so advised and instructed to act accordingly.

Following this reference the committee on state legislation requested the Institute's

counsel, J. Harry Covington, to render an opinion as to the probable constitutionality of restrictive legislation. This opinion has been received by the committee and is published herewith for information:

Washington, D. C.,  
January 26, 1925.

### MEMORANDUM ON CONSTITUTIONALITY OF LAWS PROHIBITING THE PRACTICE OF PUBLIC ACCOUNTANCY BY PERSONS WHO HAVE NOT COMPLIED WITH THE REQUIREMENTS OF A STATE BOARD

Various states have laws which provide for an examining board which may issue certificates showing that the holder is a certificate public accountant, and these laws are generally admitted to be a proper exercise of the police power of the states:

*Lehmann v. State Board*, 208 Ala. 185, 263 U. S. 394, 94 So. 94; *People v. Marlow*, 203 N. Y. Sup. 474; *Henry v. State* (Tex.), 260 S. W. 190; *State v. De Verges* (La.), 95 So. 805.

The American Institute of Accountants wishes to secure the passage of legislation prohibiting the practice of public accountancy by persons who do not hold licenses issued by the state boards. Such a law enacted in Oklahoma has been declared unconstitutional by the supreme court of that state. A similar law in Maryland has not yet come before the courts.

Our opinion has been requested as to the constitutionality of such legislation.

#### *General Consideration of Constitutional Questions*

A statute prohibiting the practice of public accountancy by unlicensed persons must be considered in the light both of the United States constitution and the constitution of the particular state in which the law is passed. A law offensive to either constitution would be invalid. The provision of the United States constitution usually cited in opposition to such a statute is the fourteenth amendment which provides in part as follows:

"No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

The state constitutions generally have provisions similar to the fourteenth amendment and there are often specific provisions which may be cited argumentatively against a law of this sort. We have not studied the details of the forty-eight state constitutions in connection with this opinion. In general, however, the following arguments against constitutionality can be expected:

1. That it deprives the unlicensed accountant of property, viz., the right to earn a livelihood.
2. That it abridges the right of free contract on the part of the unlicensed accountant and on the part of the person who wishes to employ him.
3. That it denies the unlicensed accountant the equal protection of the laws.
4. That it creates a monopoly or grants exclusive rights.
5. That it grants the examining board arbitrary power or legislative power as to making rules.

If the laws are to be sustained the reasoning will probably be along the following lines:

1. That these laws are a proper exercise of the police power of the state.
2. That they are for the general benefit of the public of the state in preventing unskilled persons from holding themselves out to the public as accountants.
3. That there is no delegation of legislative power but simply an authorization to the board to make reasonable regulations within limits set by the legislature.
4. That no specific clause of the particular state constitution is violated.

#### *Analogy of Laws Regulating Various Occupations which Affect the Public Health and Safety*

Statutes prohibiting the practice of various professions and occupations by persons not licensed by a state board after compliance with reasonable tests of fitness have been held constitutional on the

ground that the right to earn a livelihood may be limited by a statute which is a reasonable exercise of the police power of a state. These cases include the following: architects, *Klafter v. State Board of Examiners*, 259 Ill. 15; barbers, *State v. Zeno* (Minn.), 81 N. W. 748; *State v. Briggs* (Oregon), 77 Pac. 750; *Cooper v. Rollins*, 152 Ga. 588; dentists, *Douglas v. Noble*, 261 U. S. 165; locomotive engineers *Smith v. Alabama*, 124 U. S. 465; motion-picture machine operators, *State of Maryland, ex rel. Frank M. Elbert v. Daniel J. Loden*, 83 Atl. 564 (Md.); Pharmacists, *State v. Heinemann*, 80 Wisconsin 257; *State v. Forcier* (N. H.), 17 Atl. 577; Physicians, *Watson v. Maryland*, 218 U. S. 173; *Rutz v. Michigan*, 188 U. S. 506; *Dent v. West Virginia*, 129 U. S. 114; Plumbers, *Singer v. State*, 72 Md. 464; *Commonwealth v. Beaulieu*, 213 Mass. 142; Plumbers, ("master or employing plumber") *People Nechamcs v. Warden of City Prison* (N. Y.) 27 L. R. A. 718.

Opponents of the proposed accountancy laws will contend that these cases can be distinguished in that the professions and trades involved all were regulated for reasons relating to the public health and safety which do not apply in the case of accountancy. Probably the best answer to such an argument is simply to say that the same power which permits the state to safeguard the health of the public will also permit the safeguarding of the pocketbooks of the public. Thus, in the leading case of *Dent v. West Virginia*, 129 U. S. 114, in which the supreme court of the United States held that a state statute requiring physicians to procure a certificate was not unconstitutional the reasons given appear to be broad enough to cover public accountancy. The court said:

" \* \* \* But there is no arbitrary deprivation of such right (to practise medicine) where its exercise is not permitted because of a failure to comply with conditions imposed by the State for the protection of society. The power of the State to provide for the general welfare of its people authorizes it to prescribe all such regulations as in its judgment will secure or tend to secure them against the consequences of ignorance and incapacity as well as of deception and fraud. \* \* \* \* \*

The nature and extent of the qualifications required must depend primarily upon the judgment of the state as to their necessity. If they are appropriate to the calling or profession, and attainable by reasonable study or application, no objection to their validity can be raised because of their stringency or difficulty. It is only when they have no relation to such calling or profession, or are unattainable by such reasonable study and application, that they can operate to deprive one of his right to pursue a lawful vocation.

" \* \* \* Everyone may have occasion to consult him, but comparatively few can judge of the qualifications of learning and skill which he possesses. Reliance must be placed upon the assurance given by his license, issued by an authority competent to judge in that respect, that he possesses the requisite qualifications.

\* \* \* \* \* " (Underscoring and parenthesis ours.)

This decision was cited by the Louisiana court as applicable to public accountancy in *Louisiana v. De Verges* (La.), 95 So. 805.

*Analogy of Cases Regulating the Practice of Law*

It has always been recognized that the practice of law might be regulated (except perhaps in Indiana which has a curious constitutional provision), and the constitutionality of the statutes making illegal practice a crime has been conclusively established.

There are, of course, important differences between the professions of law and accountancy, and in order to determine the weight of the cases regulating the practice of law we must examine these differences and their bearing upon the cases:

The law is a very ancient profession; accountancy a young one, in America at least. Long before the enactment of the federal constitution or the state constitutions it was established that no one had an inherent right to practise law in court: 46, *In Re Mattox*, 93 Md. 727; *State v. Sullivan*, 35 Okla. 745. Since there was no inherent right to practise law in court, the various constitutional provisions protecting persons in inherent rights are not violated by any statute regulating the practise of law in courts.

The lawyer is an officer of the court—*Ex Parte Garland*, 4 Wall. 333; *Savings Bank v. Ward*, 100 U. S. 195, and it may be urged that the regulation of lawyers is simply incidental to the promulgation of rules by the court for its protection.

The regulation of lawyers, however, is historically a legislative rather than a judicial power: *Application of Cooper*, 22 N. Y. 81; *Cousins v. State*, 50 Ala. 113; *Jones v. Page*, 44 Ala. 657; *Bradwell v. State*, 16 Wall. 130. And lawyers are regulated not merely because they have always been and because they are court officers, but because the protection of the public demands such regulation: *Lent v. Portland*, 42 Ore. 488, 71 Pac. 645; *People v. Taylor*, 56 Col. 441; *People v. Alfani*, 227 N. Y. 334, 125 N. E. 671. Moreover, this regulation is not confined to practise before the courts but extends to the giving of professional advice: *In re Duncan*, 83 S. C. 186; *Savings Bank v. Ward*, 100 U. S. 195; *People v. Taylor*, 56 Col. 441; *People v. Alfani*, 227 N. Y. 334, 125 N. E. 671.

There is a decided similarity between the professions of law and accountancy. The good or ill performance of the duties incident to neither profession has any relation to what is known in law as the "public health." Both deal with property.

The office lawyer and the accountant both give expert advice upon which business affairs are conducted. In questions of organization and reorganization of corporations, creation of bond issues, bankruptcy, settlement of partnership accounts, administration of estates, etc., the accountant examines the figures involved and gives an expert opinion on the financial situation resulting therefrom, and the lawyer examines the facts, including perhaps the report of the accountant, examines the statutes and decisions, and gives an expert opinion on the legal questions involved. Both hold themselves out to the public as possessed of expert knowledge in their respective lines. Both are employed from time to time by different clients who must rely upon their skill and who may suffer great financial losses through lack of skill.

Under present conditions in taxation, the profession of accountancy has in another aspect come very close to the practice of law. Great numbers

of tax cases are presented before the bureau of internal revenue, and even before the new board of tax appeals, by accountants without having any lawyer connected with the case. While lawyers may doubt the ability of any accountant lacking legal training to present competently a matter involving a question of statutory construction, the fact remains that such presentations are made, and the ability of the accountant to make such a presentation is recognized by the bureau of internal revenue and by the board of tax appeals. Thus, tax cases which are in effect litigation as important financially as cases in court are being entrusted to accountants by business men all over the country.

It would seem therefore that the cases which allow the regulation of lawyers because of the necessity of protecting the public from bad advice are broad enough in principle to cover accountancy as well.

*Analogy of "Blue-Sky Laws"*

Statutes have been passed by many states requiring dealers in securities to obtain licenses which are issued by state boards upon satisfactory evidence of the good business repute of the applicants and their agents and which may be revoked on evidence of bad repute. The constitutionality of these laws was assailed on the ground that they were an illegal control of a private business, but they have been sustained by the state courts and by the United States supreme court: *Hall v. Geiger-Jones Co.*, 242 U. S. 539, and other cases.

It will be apparent of course that the police power of the state which was involved in these laws was concerned directly with the protection of the property of the people of the state. These laws had nothing to do with the public health.

The cases have another important analogy in that in the Oklahoma accountancy case, which is hereafter discussed, the point was made that accountancy did not affect all the people of the state but only business men who went to accountants. Obviously, the sale of securities may affect no greater number or variety of people. The blue-sky laws were, nevertheless, sustained as being a reasonable exercise of the police power in the protection to the public.

*Question of Delegation of Arbitrary Power or Legislative Power*

In many cases involving the constitutionality of regulative laws of this sort the point has been urged that there is an illegal delegation of arbitrary power or of legislative power. Happily, the law on this point has become reasonably clarified by a line of cases, the most recent of which is *Douglas v. Noble*, 261 U. S. 165, decided by the supreme court of the United States in 1923.

That case involved a statute of the state of Washington providing that only licensed persons should practise dentistry. It vested the authority to license in a board of examiners and required that persons desiring to practise should apply to that board and undergo examination before it. Every person of good moral character with a diploma from a reputable dental college was declared eligible, and if he or she passed the examination, became entitled to a license.

It was conceded that the legislature might, if consistent with the state constitution, confer upon

an administrative board the power to determine whether or not the applicant possessed the qualifications which the legislature had declared to be necessary. But the argument was made that since the act did not state in terms what the scope and character of the examination should be, arbitrary power was conferred upon the board to grant or withhold licenses. It was pointed out that the statute did not in terms direct that the examination should relate to the applicant's qualifications to practise dentistry; that it did not describe the subjects on which the applicant should be examined or whether proficiency should be determined by knowledge of theory or by requiring applicant to demonstrate skill with the tools and materials of the profession; that it did not provide whether the examination should be oral or written or what percentages of correct answers should be required to pass the examination; and that it did not require the keeping of records of the proceedings which could be used for purposes of review.

In spite of these objections the court held the statute constitutional. It was conceded by the court that if the statute had purported to confer arbitrary discretion to withhold a license or to impose conditions which had no relation to the applicant's qualifications to practice dentistry, it would have violated the due process clause of the fourteenth amendment. The courts of Washington had held, however, that the statute was not to be considered an arbitrary one but that if there was an abuse of authority by the board the remedy was to review its conduct by some appropriate proceeding in court. The supreme court followed this construction of the state courts.

The supreme court was further of opinion that the statute did not involve any illegal delegation of legislative power, the court saying:

"The statute provides that the examination shall be before a board of practicing dentists; that the applicant must be a graduate of a reputable dental school; and that he must be of good moral character. Thus, the general standard of fitness and the character and scope of the examination are clearly indicated. Whether the applicant possesses the qualifications inherent in that standard is a question of fact. Compare *Red "C" Oil Co. v. Board of Agriculture*, 222 U. S. 380, 394, 56 L. ed. 240, 245, 32 Sup. Ct. Rep. 152. The decision of that fact involves ordinarily the determination of two subsidiary questions of fact. The first, what the knowledge and skill are which fit one to practice the profession. The second, whether the applicant possesses that knowledge and skill. The latter finding is necessarily an individual one. The former is ordinarily one of general application. Hence, it can be embodied in rules. The legislature itself may make this finding of the facts of general application, and, by embodying it in the statute, make it law. When it does so, the function of the examining board is limited to determining whether the applicant complies with the requirements so declared. But the legislature need not make this general finding. To determine the subjects of which one must have knowledge in order to be fit to practise dentistry; the extent of knowledge in each subject; the degree of skill requisite; and the procedure to be followed in conducting the examination;—these are matters appropriately committed to an

administrative board. *Mutual Film Corp. v. Industrial Commission*, 236 U. S. 230, 245, 246, 59 L. ed. 552, 560, 35 Sup. Ct. Rep. 387, Ann. Cas. 7916C, 296. And a legislature may, consistently with the federal constitution, delegate to such board the function of determining these things, as well as the function of determining whether the applicant complies with the detailed standard of fitness. *Reetz v. Michigan*, 188 U. S. 505, 47 L. ed. 563, 23 Sup. Ct. Rep. 390. That the scope of the discretion here granted to the examining board was well within the limits allowed by the federal constitution, and that it is not to be presumed that powers conferred upon the administrative boards will be exercised arbitrarily, are settled by *New York ex rel. Lieberman v. Van de Carr*, 199 U. S. 552, 50 L. ed. 305, 26 Sup. Ct. Rep. 144."

We do not see anything in the statutes which have already been passed, or the proposed statutes prohibiting the practising by unlicensed accountants, which is in conflict with the constitutional rules as to the delegation of power laid down by the United States supreme court in this case. If model legislation is to be prepared it should be studied with a view to this question. However, in the absence of some specific prohibitory provision in some state constitution, we can be sure that even if some laws may be declared unconstitutional as a delegation of arbitrary power, it is possible to draw a law which will not be declared unconstitutional on that ground and experience will show the way to do it.

#### Consideration of Oklahoma Case

The supreme court of Oklahoma, in the case of *State v. Riedell*, recently decided that a law of that state was unconstitutional which provided that it was unlawful for anyone not a holder of a certificate to engage in the practice of accountancy for compensation or to hold himself out as a public expert accountant or auditor. The court discussed cases which had been presented in argument upholding various laws preventing the unlicensed practice of medicine, dentistry, etc., and stated that all of these professions affected the people of the state generally while the profession of accountancy touched a particular class only, that is people engaged in business enterprises requiring the services of accountants. The court said further that accountancy was an exact science, the argument being that the client did not have to rely on the expert skill of the accountant but could himself prove the correctness or incorrectness of the accountant's statements. The court held that the case did not fall within the police power of the state and that the law was unconstitutional in that it made unlicensed accountants seek other employment outside of their profession and in that persons desiring the services of accountants were limited to the licensed list.

It seems to us that the logic of this case is faulty. Broadly speaking, all the people of the state are engaged in the occupation of making money or conserving money if they already have it. It seems to us that the accountant who holds himself out as a public accountant touches and affects all of the people of the state just as much as a person who holds himself out to be a public doctor. True, comparatively few people of the state may go to



the accountant, but few may go to the particular doctor. Some lucky people may never have to go to any doctor. The fact is, however, that everyone wishes to conserve his fortune in the same way that he wishes to conserve his health, and everyone having sufficient knowledge would go to an accountant as to a doctor if occasion arose.

As to accountancy being an exact science, this statement of the court simply is not in accordance with the facts. While the figures shown by the books examined may be exact, the conclusions drawn therefrom certainly call for expert opinion, as to which skilled accountants may differ in the same way that doctors may differ on a diagnosis or lawyers may differ in their opinion on a case.

In the New York and Louisiana cases, while the courts expressly confined the scope of the decisions to the laws which were before them and which dealt only with the use of the words "certified public accountant," the courts clearly expressed the view that accountancy is a difficult science and that its regulation is for the general benefit of the public.

"(The statute) is legislation 'in the public interest and for the general welfare' and the legislature unquestionably had and has the power to regulate the highly skilled and technical profession of public accountant in the measure which it did. \* \* \* \* The statute affecting certified public accountants in this state was enacted, not alone to prevent fraud, but as well to assure the public that persons practicing public accountancy as experts, certified as such, have met our standards of qualifications and tests, fixed by law, or in accordance with the rules and regulations authorized thereunder." *People v. Marlow*, 203 N. Y. Sup. 434.

"It is true that neither morals, health, nor safety of anyone is jeopardized by the practice of this profession, however incompetent a person may be, but the power of the state in matters of this sort is not confined to professions involving such consequences. It may also act whenever the general welfare requires to protect the public in the skilled trades and professions against ignorance, incompetence, and fraud." (Then followed a long quotation from *Dent v. West Virginia*, 129 U. S. 114). "We think, therefore, that the Legislature, in the public interest and for the general welfare, unquestionably had and has the power to regulate the highly skilled and technical profession of public accounting in the measure which it did." *State v. De Verges*, (La.) 95 So. 805.

#### Question of Specific State Constitutions

We do not conceive that a detailed study of each of the forty-eight state constitutions is necessary in this opinion, since the question before the Institute is whether it is worth while to go ahead in the effort to secure further regulatory legislation generally throughout the United States.

If any state constitution expressly stated, "There shall be no regulation of the profession of accountancy," that would of course be conclusive. There may be language in some constitutions not so specific as this but which may cause trouble. We believe, however, that broadly speaking we have covered the possibilities of the state constitutions as well as of the United States constitution.

#### Conclusion

From the foregoing we are of opinion that the practice of *public* accountancy is one which affects the people of the state generally and it may be regulated in a reasonable way in proper exercise of the police power of the state without violation of the federal constitution or of the state constitutions (unless some state constitutions have unusual provisions which have not come to our attention). We believe that a law prohibiting the practice of public accountancy by persons not licensed by a state board as a result of the compliance with reasonable requirements is constitutional.

Care should be taken in the preparation of such laws that the prohibition should apply only to the *public* practice of accountancy. Such a law could prohibit the use of the words "certified public accountant" or even "accountant" on the stationery of an unlicensed person or on the door of his office or the holding out to the public that he is a certified public accountant or even an accountant, or the giving of an opinion in writing certifying as to any accounting matters and purporting to be made by a certified public accountant or by an accountant. But the law should not be broad enough to forbid the private employment of any individual by another individual to do bookkeeping, give financial advice, or do anything else that is done by accountants. In that respect we believe that some of the provisions of the proposed New York law are too broad. The law should be kept within *public* bounds.

The foregoing is our opinion as a logical deduction from the decisions of the courts. As a practical matter it must be recognized that one state has already declared such a law unconstitutional, and it is quite possible that some other states will take the same view. We believe, however, if the laws are drawn along the lines that we have indicated most of the states will hold them constitutional.

We are confident that they will be held constitutional by the United States supreme court following the principles of the *Dent* and *Douglas* cases.

COVINGTON, BURLING & RUBLEE.

J. Harry Covington.  
Spencer Gordon.

#### California

A legislative committee consisting of N. L. McLaren, Jr., C. P. Carruthers, M. Cerf, George E. H. Satchell and A. V. Travis has had the proposed California accountancy act under consideration and has reported back amendments to the act of 1901 as a substitute for the new accountancy bill. The report of the committee was adopted without a dissenting voice.

The outstanding changes are that the restrictive features have been completely removed from the bill and that only the resident partners of firms doing business in California are compelled to hold California

certificates in order to designate the firm as "certified public accountants."

The legislation committee was continued with instructions to get in touch with the Oregon, Washington, Idaho and Nevada, and possibly Utah, Arizona and New Mexico accountants for the purpose of instituting uniform C. P. A. legislation.

### **Amendments Proposed**

Amendments to accountancy legislation are proposed and have been introduced in some states, but at the time of going to press none of these suggested measures has been enacted. In some cases the proposals are unimportant and are largely concerned with changes in phraseology. There is always the possibility, however, that amending bills when referred to committees will be substantially altered and the Institute is watching carefully the progress of all such proposals. As advice is received of the introduction or the proposal to introduce amending bills, accountants in the states concerned are notified by telegraph.

Amendments or new legislation adopted dealing with accountancy will appear after enactment in the Bulletin of the Institute.

### **New York**

One of the most important developments in the attempt to bring about more complete regulation of the profession is the bill to be introduced in the legislature of New York. This bill has been drafted by the New York State Society of Certified Pub-

lic Accountants with the advice of the state board of regents. It is supported by many accountants both in and out of the state society. It will be remembered that a similar bill introduced in the legislature last winter was vetoed by Governor Smith. The proponents of the present bill are hoping that the governor will approve the new measure as attempts have been made to avoid the objections which were raised by the governor against the original bill.

### **North Carolina**

The accountants of North Carolina have prepared a new C. P. A. bill which is designed to strengthen the profession in that state. The bill is supported by the North Carolina Association of Certified Public Accountants.

### **South Dakota**

In the annual report of J. E. Truran, executive accountant of South Dakota, who is secretary of the state board of accountancy, the following paragraph occurs:

"The members of the state board of accountants consisting of the bank examiner, the insurance commissioner and executive accountant are anxious to be relieved of the duties prescribed by the C. P. A. law and it is hoped that the next legislature will provide that the board be composed of men who have earned the title of C. P. A. under the laws of this state."

In view of the foregoing comment preparations are being made for the introduction of an amending bill in the state of South Dakota.

## **STATE BOARDS OF ACCOUNTANCY**

### **Nebraska**

The following have been appointed to the state board of accountancy of Nebraska: chairman, John M. Gilchrist; secretary-treasurer, H. C. Moeller; George Marsh. H. C. Moeller and George Marsh are re-appointments in different official capacities.

### **New York**

Following is a list of persons to whom C. P. A. certificates have been issued by the board of regents: David Berk, Daniel Vincent Duff, Alexander L. Eolis, Edward J. Fries, Charles Ludwig Holschuh, Charles Lipkin, Morris Metz, Carl Mur, Samuel

Pomeranz, Henry Schimel, Louis H. Segal, Joseph Siegel, Morris D. Silverman. The following have received reciprocal certificates: Forbes Dunderdale, Charles Hay Hubbell, Clarkson E. Lord, Martin C. Rugaber, James Jasper Smith, James T. Swan.

### **Texas**

Following a meeting of members of the Texas state board of public accountants on December 30, 1924, it was announced that 21 persons had been granted C. P. A. certificates as a result of the November, 1924, examinations. In addition, six reciprocal certificates were issued.

## NEWS OF LOCAL SOCIETIES

### **Illinois Society of Certified Public Accountants**

The Illinois Society of Certified Public Accountants, through its committee on public affairs, has prepared a booklet containing a list of individual practitioners and firms in Illinois represented by membership in that society. The booklet has been distributed to the members of the Robert Morris Associates and to officers of the state and national banks in Illinois. George E. Frazer is president of the Illinois society; John A. Stolp, vice-president; and C. E. Jarchow, secretary-treasurer.

A foreword addressed "To the Banker" reads:

Now is the time to urge your clients to formulate plans for the future.

Besides taking an inventory of stock on hand, a survey of the economic position is necessary; plans for expansion of business, necessitating changes in the factory or possibly in the management, should also be contemplated. Reduction in costs and elimination of waste should be considered. Income-tax returns and the financial statements and reports require to be prepared and certified for credit purposes. Systems for the general and factory accounting may have to be installed or modified to meet current requirements.

The certified public accountant, by reason of his experience and training, is peculiarly fitted to advise the banker or financier, the manufacturer, merchant or jobber in any or all of these matters.

The booklet is creditable both typographically and in its arrangement of information.

### **Society of Louisiana Certified Public Accountants**

The programme for the quarterly meeting of the Society of Louisiana Certified Public Accountants scheduled for February 12th included an address of welcome by Emile Bienvenu, a paper on sugar accounting, by R. J. LeGardeur, and an address by Arthur A. Moreno on the attorney and the certified public accountant. Discussions were to follow both papers.

### **Massachusetts Society of Certified Public Accountants**

A meeting of the Massachusetts Society of Certified Public Accountants was held on January 27th. The principal speaker was Alexander Wall, secretary of the Robert Morris Associates, whose subject was accountants reports—how to make them

more interesting and valuable—with special reference to the use of indexes, ratios, etc.

Mr. Wall outlined the work undertaken by the Robert Morris Associates in their efforts to examine and classify balance-sheets in many departments of business with the object of establishing reasonably standard ratios of assets and liabilities. He emphasized the point that the ratio of current assets to current liabilities as the sole basis for extending credit was neither fair to the bank nor to the borrower since too many other factors entered into the problem. In his opinion, these factors could well be grouped under three heads: (1) financial; (2) the human factor; (3) the general balance of business. He weighted these three factors on the basis of approximately 40, 40 and 20 respectively.

### **Minnesota Chapter**

The most important action taken by the Minnesota chapter of the American Institute in recent months has been a mail vote for the purpose of recommending someone for appointment on the state board of accountancy to succeed Herbert M. Temple, whose term expired December 31, 1924. After suggested nominations had been submitted to the members of the chapter, the name of A. F. Wagner received the greatest number of votes and he was accordingly recommended. No action has yet been taken by the governor in regard to the appointment to the state board. This is said to be due to the fact that a rearrangement of various state departments is now under way.

### **Missouri Society of Certified Public Accountants**

A joint meeting of the St. Louis chapters of the Missouri Society of Certified Public Accountants and the American Institute was held at the City club of St. Louis January 8, 1925. This meeting had been postponed from January 2nd.

Following the usual custom, dinner was served prior to the meeting. The meeting was called to order at 7:30 p. m., when approximately fifty members were present. David L. Grey addressed the meeting on the certification of statements giving effect to refinancing—(a) from the accountants'

viewpoint; (b) from the investment brokers' viewpoint.

Mr. Grey explained how necessary it is for the accountant to exercise the greatest care in certifying a balance-sheet giving effect to refinancing and also in certifying statements of earnings for a period of years. It was pointed out that work of this nature has usually to be performed in a limited time and that, in addition to the work of ascertaining the correctness of the figures, it is necessary to watch the uses made of these figures in the prospectus prepared by brokers and bankers. Naturally the latter are exceedingly anxious to present the figures in the best light possible, and great care must be taken to guard against the presentation of figures in a manner which may be misleading to the investing public.

Attention was also called to the fact that the accountant did not shirk his responsibility by stating that his "figures were obtained from sources which he believed to be reliable but did not guarantee," a practice universally followed by all investment brokers and bankers. Consequently the accountant could not afford to allow himself to be rushed or jockeyed into a position which his later and calmer judgment would undoubtedly show him to be wrong or, at best, misleading.

Mr. Grey had four main points, as follows: the time at the disposal of the accountant; the effect of the refinancing where there was: (a) a definite contract for the application of the new funds, (b) no contract, other than an implied contract; material changes in the company's finances between the date of the examination of the accounts to which the accountant certified and the issue of the prospectus: e. g., payment of dividends, accidents (fires, etc.), lawsuits for patent infringements, and the like; the character of the business, whether or not its finances were susceptible to violent fluctuation; and the character and the standing of the brokers and bankers interested in the matter.

A lively discussion ensued. Many of the leading accountants in the city were present and took an active part in the discussion. The subject is one in which the older practitioners are much interested. As regards the certification of profits, it was clearly shown that an accountant should never cer-

tify any figure which was represented as representing the average earnings over a period. It was pointed out that in such a manner violent fluctuations in profits and also losses could be covered and, as a result, a totally wrong impression of the recent earning powers of the company would be obtained. It was agreed that extreme care should be taken to see that the earnings stated should be clearly divided into two sections—(a) those the result of the legitimate operations of the business, and (b) those of an extraneous nature, such as interest from investments, profits or loss from speculation in stock deals. In other words, the idea should always be kept in mind that only the operating results from the business proper should appear in the prospectus and that these results should not be confused by bringing in income which might be of a purely temporary nature.

The meeting of the Missouri legislature takes place this year and there are rumors that efforts might be made to alter the certified public accountant law of the state. The matter was discussed fully at this meeting and the members were unanimous that it was essential to uphold the present law.

The luncheons held once a week by the Kansas City chapter of the Missouri Society of Certified Public Accountants are usually well attended, but during the pressure of the first three months of the year the attendance naturally declines somewhat.

The subject of relations between bankers and accountants has been under discussion and an effort is to be made to bring the value of accountants' services to the attention of bankers by the appointment of a committee to prepare and issue monthly bulletins. Two bulletins were issued recently and the effort was then allowed to lapse. It is, however, to be reconsidered with the idea of assuring the publication of twelve bulletins during the next year. All bulletins are to be submitted to the chapter for approval before beginning the campaign.

### **New York State Society of Certified Public Accountants**

Notwithstanding the accountants' busy season which characterizes the first months of the calendar year, discussion of taxation was the cause of record attendance at the January and February meetings of the New

York State Society of Certified Public Accountants. At the overflow meeting (254) held January 12, 1925, addresses were made on income tax procedure for 1925, federal and state, by Herman M. Stein, Joseph J. Klein and Robert H. Montgomery. The discussion was under the direction of the society's special committee on federal and state income tax, Orrin R. Judd, chairman.

At the demand of members for a second meeting on taxation, two addresses were delivered at the regular monthly meeting of the society, February 9, 1925. Robert H. Montgomery spoke on income tax procedure and Harold Dudley Greeley addressed the meeting on inheritance taxation of today. This meeting was under the joint direction of the committee on federal and state income tax and the committee on taxation, Isidor Sack, chairman.

The board of directors of the society elected, on February 5, 1925, seven members and one junior member, bringing the total membership of the society to 849, consisting of 829 members and 20 junior members, in addition to two honorary members.

During the past month the society sustained the loss of an honorary member, Joseph French Johnson, dean of the school of commerce, accounts and finance of New York university and president of the Alexander Hamilton institute, who died suddenly January 22, 1925; and the loss of a member, Hermann C. Maass, continuously a member since 1901, who died January 25, 1925.

The society has issued a directory of holders of the New York state certified public accountant certificates, containing the names and certificate numbers of all who had received the New York certificate up to December 31, 1924.

The society recently published in pamphlet form the address of Walter E. Sachs, delivered at the all-day-and-evening conference of the society, October 15, 1924, on importance of the verification of inventories in connection with frauds. Distribution through members has been well received.

The board of directors, at its meeting, February 5, 1925, chartered a chapter of the society to be operated at Buffalo, to be known as the "Buffalo chapter of the New York State Society of Certified Public Accountants."

### **Oregon State Society of Certified Public Accountants**

The regular monthly meeting of the Oregon State Society was held January 30th. Resolutions were adopted, favoring the principle of arbitration of commercial disputes and requesting the Portland chamber of commerce to exercise its influence to obtain the passage of the arbitration bill which is before the legislature.

After consideration of the proposal to introduce new C. P. A. legislation, it was resolved that no effort be made this year to obtain amendment of existing laws. A bill which had been introduced without the knowledge of the state society has been the subject of protest by the committee on state legislation of the American Institute and by the state society.

### **Pennsylvania Institute of Certified Public Accountants**

At a meeting of the Pennsylvania Institute of Certified Public Accountants on January 19th, John B. Niven, president of the American Institute of Accountants, was the guest of honor. John R. Lynn, president of the Pennsylvania Institute, welcomed Mr. Niven and then presented George Wilkinson, who gave a review of the progress of the accounting profession in America.

Mr. Wilkinson recited the activities and difficulties of a few members who aided in establishing the several associations in early days. He mentioned the active part taken by Mr. Niven at the St. Louis convention in 1904.

Mr. Niven reviewed the activities and accomplishments of the Institute, dealing especially with the labors of the board of examiners of which he had been chairman for several years before his election to the presidency.

A general discussion followed.

### **Providence Accountants' Club**

At a meeting of the Accountants' Club of Providence held January 30th, F. H. Hurdman addressed the members on the subject of no-par-value stock. His remarks were followed by general discussion.

### **Texas Society of Certified Public Accountants**

The Texas Society of Certified Public Accountants issues from time to time bulletins dealing with professional affairs and distributes them for the information of the general public. Bulletin No. 3 contains a review of the annual meeting of the society and summaries of addresses delivered on that occasion by H. C. Burke on the subject, "Extending credit based upon financial statements," and by C. H. Sinex on "The value of certified statements to a building and loan association in assisting sales." The pamphlet also contains the reports of the president and secretary.

A pamphlet entitled *The Texas Law* has also been issued by the society. It contains a brief history of the profession, a syllabus of the state law and the following comment, entitled "Concerning lawful authority," which is of interest to accountants everywhere:

"All of the states of the American union and the District of Columbia, as we have seen, recognizing the high importance of this indispensable service and its technical character, have created boards of public accountancy and have made them to operate as the agencies through which the professional status may be determined and by which necessary standards may be set up and maintained. This is a measure of regulation and, as with other professions, its object is to protect the public from the ignorant and unskilled. The state board of public accountancy of Texas, acting under the provisions of the law, examines all eligible persons applying to it and accredits those only who are found to meet the prescribed requirements of technical knowledge and skill. No other body, officer or agency, public or private, may, within this state or elsewhere, lawfully undertake to examine persons for the degree of certified public accountant or issue certificates or other credentials entitling the holders to practise as certified public accountants in this state.

"A certified public accountant, then, may be defined, as a professional accountant, who, holding himself out to the public as an expert, has sub-

mitted that an authorized function of government, after due examination, may say whether or not he is what he represents himself to be. A certified public accountant is, moreover, one having responsibility for good conduct and honest service definitely fixed upon him by the provisions of the same law under which he receives his certificate.

"The title, lawfully acquired, is an honorable one, and because it is so, just men seek it at no limit of study and preparation; and because it is so, other men, coveting it but unwilling or unable to undergo examination, undertake to disregard the law and assume the title without lawful authority, or to circumvent the law by claiming the title under spurious credentials issued by organizations having for that purpose no competent authority whatever. The law takes its course and eventually disposes of these impostures by its penal provisions. But in the meantime and in order to minimize the fraud, the reputable profession feels itself called upon to point out the genuine as distinguished from the counterfeit. Therefore be it said: there are no certified public accountants in Texas or elsewhere other than those so designated under the law of the land."

### **National Association of Cost Accountants**

In *Bulletin*, series B, No. 9, published January 15, 1925, it was stated that the annual meeting of the National Association of Cost Accountants for 1925 would be held in September. This statement is incorrect, as the time of annual meetings has been changed from September to June. The meeting will be held at the Statler Hotel, Detroit, Michigan, June 15-18, 1925. Complete details will be ready for distribution about May 1st. The headquarters of the organization are at 130 West 42nd Street. Among the subjects to be discussed at the annual meeting will be inventory control, administration and selling costs, standard costs and variations, and debatable points in cost-accounting practice.

An eastern regional conference of the National Association of Cost Accountants will be held at the Hotel Commodore, New York, February 20th and 21st.

### **SPEECH REVIEWS**

The following summaries of addresses delivered and articles written by accountants are prepared from copies supplied to the Institute. Readers of the *Bulletin* who have recently spoken before groups of business men or other organizations or have written articles for publication are invited to supply copies of their speeches and writings so that summaries of them may be given in this publication.

#### **WILLIAM DOLGE—"THE BROADENING FIELD OF ACCOUNTANCY"**

Address before the Accountants' Association of Sacramento, January 22, 1925.

Mr. Dolge commented on the fact that Sacramento was the first city of the United States to form an accountants' association which includes in its membership not only certified public accountants but governmental specialists in budgets, finance, insurance, education and highway construction as well

as municipal specialists, comptrollers, auditors and their associates and auditors, chief accountants and bookkeepers of commercial undertakings. Accounting developed as the handmaiden of commerce and trade and so it was natural, according to Mr. Dolge, that the greatest practical advances should first have been made in England where industry was encouraged from the time when Edward IV imported weavers from Flanders and where the factory system followed hard upon the trade expansion brought about by England's discovery, appropriation, exploitation and development of new territories. It is equally natural that the art of accounting and the formulation of the scientific principles underlying it should receive even greater impetus and appreciation in the United States than in the nursery of the profession, Scotland and England. The certified public accountant of 1925, Mr. Dolge pointed out, should be a business counsellor in the broadest sense of that term, or a specialist in one of the many departments that accountancy claims for its own, such as costs, corporations, income tax, inheritance tax, estate, investment, banking, insurance, governmental and municipal accounting. Accountancy has become the profession of business. The practising accountant in 1910 found himself suddenly confronted with the demand that he formulate a classification of accounts for railroads and other public utilities. The great awakening to the uses of accounting in governmental affairs had come and laws were adopted providing uniform methods of accounting for state institutions, for budgets and for counties and municipalities. The income-tax law was another stimulus to accounting and the laws regulating corporations were mentioned as bringing about a call for additional accounting service. Mr. Dolge presented some of the ideals of the accounting profession and said that he believes that thousands are striving to attain these ideals.

**EDWARD E. GORE—"ACCOUNTING FOR PUBLIC FUNDS"**

Address delivered before the Illinois Municipal League, October 16, 1924.

Mr. Gore opened his address by referring to Grover Cleveland's famous announcement that "a public office is a public trust." Mr. Gore suggested that someone should say now that public funds are trust funds. Public funds arising from taxation, from licensing, and from other sources of revenue have long been looked upon by men in public office and by a large part of the public itself as nobody's money. From this point of view have grown waste and extravagance that would not be tolerated in private business. Much of this waste may be attributed, according to Mr. Gore, to the failure of communities to provide themselves with proper accounting systems. He pointed out that in many states the only record kept of receipts and disbursements is a small shabby book which is frequently not seen by any officer other than the one in charge. The public is rapidly coming to understand that the government is a business and that, if it is to be successful, business principles must prevail. Mr. Gore advocated the preparation of a budget by communities as the first step in the right direction. Books of account should be set up with the prop-

erty owned by the municipality set at its fair valuation. Accounts with debtors and creditors should also be set up. Mr. Gore went into the subject of marketing bonds of cities and how this is expedited by the keeping of proper accounts. He touched also on the possibility of legislation which will definitely settle all questions as to the records to be kept. Laws which will take care decently of the needs of the various communities are also needed, according to Mr. Gore. The application of good business principles to government will result in the reduction of taxation.

**EDWARD E. GORE—"THE CRIME TENDENCY"**

Address delivered before the Baltimore Association of Commerce, December 11, 1924.

The speaker asserted that all crimes are a tax on business no matter whether they take the form of embezzlements and forgeries or are house burglaries or hold-ups. He analysed the underlying causes of crimes, especially embezzlements, and laid emphasis on the fact that the element of opportunity is chiefly responsible for this crime. In thousands of cases it has been shown that the embezzlement came from the realization on the part of the embezzler that the commission of the crime would be comparatively easy. Embezzlements are always committed by men in positions of trust. It is fair to say that before the embezzlement, in practically every case, the embezzler is an honest man. Mr. Gore pointed to the incentives that lead to crimes and named as the chief ones, the ease with which a crime may be committed, the possibility of its being hidden, and pressure from outside sources for the use of funds greater in amount than the personal resources of the embezzler will supply. He said that today's mode of life encourages extravagance and then referred to the liberal terms of payment which have made it possible for men of limited income to indulge in extravagant practices. One way of preventing embezzlements, according to the speaker, is to be found in obtaining information as to the habits, pleasures, practices and manner of living of the embezzler. Mr. Gore pointed out that the question of the ways by which crime may be eliminated is not to be answered off-hand. If it could be so answered, the crime problem would disappear. He made the point, however, that much can be done to minimize crime by removing temptation, by denying opportunity and by closing the field to the potential embezzler, forger or credit crook. He advocated the organization of legitimate business against those with whom crime has become a steady occupation.

**J. HUGH JACKSON—"ACCOUNTING AS AN AID TO THE BUSINESS EXECUTIVE"**

Delivered before the eleventh annual convention, Insecticide & Disinfectant Manufacturers' Association, New York, December 16, 1924.

Professor Jackson made the point in this address that it is the man with vision and imagination who succeeds because he so marshals his forces that success is his before the battles begin. He de-

scribed accounting as a militant science, which, if it remains passive, must die. It is often destructive in its work, tearing down and weeding out inefficient methods, unscientific and dishonest practices, later to rebuild where it has destroyed. The new structure must be so put together that it can never again be successfully attacked. The speaker described accounting as a tool which when properly designed and in the hands of a competent workman, will give a product of real value. Accounting systems are no longer ends in themselves. The prosperity of a business will be determined largely by the ability of those in charge to analyze and solve the problems which confront their particular undertaking and the industry as a whole. An accountant in tackling the problem as to the kind of information which will be of greatest value to a business, must know the problems which confront that business from within and without. The speaker cited an instance of one accountant who spent three weeks in the office of the president of a corporation, listening to dictation and interviews and attending meetings of the directors, in order to obtain information concerning the problems facing the industry in this particular business. He was able to devise a system which called for only seventeen reports to be made each month to the executives in place of one hundred seventy-eight reports then being received monthly by the management.

**CADDIE H. KINNARD—"THE REVENUE ACT OF 1924 AS COMPARED WITH THE REVENUE ACT OF 1921"**

Delivered before the Rotary Club of El-dorado, Arkansas, November 26, 1924.

Mr. Kinnard outlined briefly the history of income taxation, pointing out that the national government imposed income taxes during the Civil War, when they were considered indirect in their nature and consequently beyond the constitutional prohibition; how one was imposed in 1894, but was declared unconstitutional when tested a year later. The addition of the sixteenth amendment to the federal constitution in 1913 made income taxation possible. Mr. Kinnard reviewed the exemptions on the part of individuals contained in both acts, discussed the question of when a return is required, the rates of taxation, the definition of fiscal years given in both acts, the definition of earned income and of capital gains and losses, and the application of the acts to corporations.

**WALTER F. VIEH—"PRICING THE INVENTORY"**

Paper presented at December meeting of Cleveland chapter, National Association of Cost Accountants.

Mr. Vieh stated that his paper would deal with the principles according to which prices should be determined and the method of handling, for book and statement purposes, the "write-downs" which may be made necessary by expected declines in replacement or production costs. He stated that there is perhaps no more important item in the balance sheet than the inventory. It receives paramount consideration from the banker, from the credit-man, from the alert executive and even in

some cases from the investor. There are not many problems as to the quantities contained in inventories, the speaker stated. Except in cases of fraud, quantities are usually accurately reported. The problems as to prices, however, are numerous. The effect, upon profits, of a large inventory valuation as compared with a smaller valuation is well understood in business circles. Recourse is usually had to the adjustment of values when it seems necessary or advisable to alter somewhat the profits or losses from a period's operations. The speaker pointed out that it would be a gross misstatement of fact to say that it is a common practice deliberately to value inventories to suit the circumstances, but the attitude of the merchant or manufacturer toward his inventory naturally depends on whether he feels prosperous enough after the year's operations to slash off a bit of the profits for the sake of conservatism, or on the other hand the pinch of depression has made him eager for an extra dollar of profit. The speaker said that a safe middle course must be chosen and that this generally is cost or market value, whichever is lower, although there are some exceptions, to which he alluded later. The most frequent criticism of this principle is that it is onesided, that is, the result is to take into account unrealized losses but to deny unrealized profits. He pointed out that it is generally conceded to be poor accounting to anticipate profits, while on the other hand conservative management demands provision against imminent but unrealized losses. Mr. Vieh devoted some time to a consideration of methods of determining the market price. He sounded a note of warning in regard to the use of cost or market price, whichever is lower. If inventories are reduced to market at the close of one year and the market rises in the succeeding year, the latter year may be given credit for profits to which it is not entitled. To avoid this possibility the accountant must have his eyes on the trend of the market as well as on the price prevailing at inventory date. Discussing the method of handling "write-downs" for bookkeeping purposes the speaker said that the end can be accomplished either by reducing prices on the face of the inventory or by establishing reserves to cover the difference between cost and market or inventory values.

**CHESTER L. WEBERG—"PUBLIC ACCOUNTANTS' REPORTS FROM AN EXECUTIVE VIEWPOINT"**

Delivered before regional meeting, American Institute of Accountants, Toledo, Ohio, December 6, 1924.

Mr. Weberg said that the mere rendering of a balance-sheet and summary to a client is not always an impressive result for money spent. The relation between the executive and the accountant is personal and confidential. Theoretically an executive should know all the details of the business, but practically this is not so; consequently the accountant can be of great assistance. His report to the executive should give a feeling of satisfaction and security which comes with knowledge. The executive usually thinks of two classifications of the accountant's work, audits and special examinations. He fails to differentiate between balance-sheet audits



and detail audits. In the case of national corporations usually all that is required is a certified balance-sheet because large corporations have efficient accounting staffs. In such cases the accountant's responsibility and verifications of detail are limited. Audits of other than national corporations, in the opinion of Mr. Weberg, represent the greater part of accountants' service. In this branch of work

the speaker said there are practically no limitations on accountants and an intelligently analyzed and fact-giving report is as essential as the balance-sheet and profit-and-loss statement. Summing up, Mr. Weberg stated that generally speaking an executive in addition to knowing that his books are properly and accurately kept, desires any worthwhile information that an accountant can furnish.

## OBITUARY

### Joseph French Johnson

Joseph French Johnson, dean of the school of commerce of New York University and president of Alexander Hamilton Institute, died of angina pectoris, January 22nd at Newfoundland, New Jersey. Dean Johnson, who was 71 years old, was born at Hardwick, Massachusetts. He passed the early days of his life at Aurora, Illinois, was graduated from Harvard in 1878 and

then went to Germany to study political economy and history. He was at one time on the staff of the *Springfield Republican* and later was with the *Chicago Tribune* and the *Spokane Statesman*. He was the first editor of *The Journal of Accountancy*, and to his efforts the early success of the magazine is largely attributable. He was widely known as a writer on financial subjects and was the author of *Money and Currency*, *Business and the Man*, etc.

## HERE AND THERE

A. B. Abbott has been appointed chief accountant of the city auditor's office of Los Angeles.

David A. Allen and Richard H. Mohler announce the retirement of Virgil E. Bennett from Allen, Bennett & Mohler, and the continuance of partnership practice under the firm name of Allen & Mohler, with offices at 400 Union Trust building, Pittsburgh, Pennsylvania.

William K. Allen announces the removal of his office to 1101-1102 Keenan building, Pittsburgh, Pennsylvania.

Virgil E. Bennett announces the opening of an office at 1502 Union National Bank building, Pittsburgh, Pennsylvania.

L. L. Bland & Co., 1049-50 Bank of Commerce building, Memphis, Tennessee, announce that James O. Peavey has been admitted to the firm.

The governor of Rhode Island has appointed Earl S. Clark, of Providence, a member of the Rhode Island state board of accountancy.

George B. Buist & Co., announce the retirement of William H. Kerman from the firm. The practice will continue under the firm name of George B. Buist.

Harold Browndorff and Irving William Blum announce the formation of a partnership, practising under the firm name of Browndorff & Blum, with offices at 1 Madison avenue, New York.

William Clabaugh of Washington, D. C., has been appointed chairman of the auditing section of the committee on arrangements for the inauguration of President Coolidge and Vice-president Dawes. The other members of the committee are as follows: vice-chairman, Charles Vaughan Darby; secretary and treasurer, Edward M. Tyler; Moore C. McIntosh, S. Frank Levy and Raymond M. Florance.

Henry N. Holdsworth of Iowa City has been appointed chairman of the state board of accountancy of Iowa, to succeed John W. Peisen.

Wayne Kendrick and E. Taylor Papson announce that they have become associated with William Clabaugh & Co., 1319 F Street, N. W., Washington, D. C.

Cunningham & Hardy announce dissolution of partnership. W. F. Cunningham and son, F. J. Cunningham, will retain the offices occupied by the old firm, 722 Brady building, and O. W. Hardy will occupy adjoining offices at 725 Brady building, San Antonio, Texas.

George P. Ellis and Paul W. Pinkerton announce the consolidation of their practices under the firm name of Ellis, Pinkerton & Co., with offices at 30 North LaSalle Street, Chicago, Illinois, and 490 Broadway, Milwaukee, Wisconsin.

Charles Lawrence Evans announces the opening of an office at 620 Grosvenor building, Providence, Rhode Island.

Harold Dudley Greeley, New York, is retiring from the practice of public accounting and hereafter will occupy himself in the legal profession, specializing in estates and trusts. Mr Greeley was admitted to the bar in 1903.

John N. Wolfe & Co. announce the removal of their offices to 1101 Keenan building, Pittsburgh, Pennsylvania.

Lybrand, Ross Bros. & Montgomery announce that they have opened an uptown branch office at 385 Madison Avenue, New York.

Frederick W. Morton and Oliver M. Morton announce the formation of a partnership, practicing under the name of Morton Audit Company, with offices at 1301-5 Majestic building, Detroit, Michigan.

It is announced that the practice heretofore conducted under the firm name of Oyster, Watson, Gardner & Co., of California will hereafter be conducted by Oyster, Watson & Co.

Patterson, Teele & Dennis announce the removal of their Boston office to the First National building. F. R. Carnegie Steele, James Willing and Stanley G. H. Fitch are the resident partners.

W. B. Peat & Co., announce an arrangement with Marwick, Mitchell & Co., in Great Britain, North America and Europe, whereby the continental practice of the former is transferred to the latter firm. The joint business of the two firms will in future be carried on under the name of Peat, Marwick, Mitchell & Co.

S. Erwin Requa announces the opening of an office at 120 Broadway, New York.

Norvel M. Stiers, Indianapolis, has been appointed chairman of the auditing committee of the Indianapolis Bar Association for 1925.

Price, Waterhouse & Co. announce that W. B. Peat & Co. have retired from the firm on continental Europe, and in future the continental practice will be carried on under the sole name of Price, Waterhouse & Co.

Touche, Niven & Co. of Chicago announce the admission to partnership of Robert C. Brown. The Chicago office will be conducted under the joint direction of C. R. Whitworth and Robert C. Brown as resident partners.

David Weiss announces the removal of his office to 45 John Street, New York.

Kohler, Pettengill & Company announce the removal of their St. Joseph, Missouri, office, to the Tootle building. Frank P. Schwartz is the resident partner.

The library of the Institute has received a book *Past and Present of Accountancy in the United Kingdom and U. S. A.* by Yoshio Watanabe. The book is printed in Japanese and English and contains an interesting review of conditions as they appear to the author.

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The following information in regard to activities of members and associates of the Institute is derived from report blanks sent out by the bureau of public affairs:

Louis D. Blum, of New York, an Institute member, is serving as a member of the accountants committee of the Arbitration Society of America.

Ralph Guilbert Davis, an Institute member of Chicago, has been appointed captain in the finance officers' reserve corps of the United States army.

H. T. Scovill, of Urbana, Illinois, an associate of the Institute, delivered an address in Chicago, on December 30, before the American Association of University Instructors in Accounting on the relation of accounting instructors to professional associations.

George B. Buist an Institute member of Fort Wayne, Indiana, during December addressed the Rotary Club, Exchange Club and a group of students on budget control. He spoke also before the credit men's association on analysis of credit statements.

Howard F. Farrington of Watertown, New York, a member of the Institute, addressed the Rotary Club at Carthage, New York, on the crime tendency, on December 2; the Kiwanis Club of Watertown, New York, on December 18th, on boys work with emphasis on the crime tendency. Every Tuesday he conducts a class in accountancy at the Y. M. C. A. In addition he is on the executive and arbitration committees of the Watertown chamber of commerce, the executive and finance committees of the Watertown board of education; is president of the American Red Cross, Watertown city chapter; president of the Jefferson-Lewis counties council, of the boy scouts of America; and chairman of the business-methods committee of the Watertown Rotary Club.

H. B. Fernald, an Institute member of New York, is the author of an article on taxation-progress in tax reduction, which was published in the annual number of the *Engineering and Mining Journal-Press*, January 15, 1925. Mr. Fernald is a member of the committee on accounting methods of the American Institute of Mining and Metallurgical Engineers and as such participated in the preparation of a report on the financial report of a mining company—its content and meaning.

Stanley G. H. Fitch, an Institute member of Boston, spoke before the Western Massachusetts Chapter of the National Association of Cost Accountants, December 30, at Northampton, Massachusetts, on the relation of cost accounting to federal taxes. An article by Mr. Fitch on the same subject was published on January 24th in *Industry* which is issued by the Associated Industries of Massachusetts.

A. L. Peters of Columbus, Ohio, an Institute member, spoke before the accounting club at the Ohio State University December 3, on preparation for the duties and responsibilities of an accountant.

Bernard M. Gordon, of New York, an associate of the Institute, is serving as a member of the board of education of Midland Township, New Jersey.

John J. Harrington of Waltham, Massachusetts contributed an article on the crime tendency to the *Waltham News-Tribune*, which was published early in January.

Joel Hunter, a member of the Institute, delivered an address on 1924 income tax before the Georgia Bankers Association in Atlanta, on January 7th. He has published a pamphlet on taxable wealth, debt taxation and school expenses in cities of 140,000 to 500,000 population in collaboration with William Burckel, and is serving on the committee on "What's the Matter with Atlanta? Answer: Nothing but Prosperity" of the presidents' club of Atlanta.

J. Hugh Jackson an Institute member of Boston, on November 25th spoke before the Boston chapter of the National Association of Cost Accountants, on the basic inventory method. On December 16, 1924, he read before the eleventh annual convention of the Insecticide and Disinfectant Manufacturers Association, at New York, a paper on accounting as an aid to the business executive. On December 22nd, Mr. Jackson lead the monthly meeting of the Massachusetts Society of Certified Public Accountants, Inc., in which the topic discussed was faulty audits—based upon work of cooperating committees of the Robert Morris Associates and of the American Institute of Accountants. On December 31st, Mr. Jackson read before the annual convention of the American Association of University Instructors in Accounting, at the Hotel Congress, Chicago, a paper on the auditor's report.

George R. Keast of San Francisco, a member of the Institute, is serving on the membership committee of the San Francisco chamber of commerce and as major in the community-chest drive.

Frederic W. Kilduff, of San Francisco, an associate of the Institute, made an address December 15th, before the San Francisco chapter of the National Association of Cost Accountants on inventories.

J. Pryse Goodwin, an Institute member of New York, addressed the Worcester, Massachusetts, chapter of the National Association of Cost Accountants on the field of professional accountancy. He also prepared for publication in the *Journal of Commerce* an article on advantages of periodical audits for stockbrokers.

Raymond W. McKee of Los Angeles, a member of the Institute, in collaboration with D. F. Morland, has written a book on accounting for the petroleum industry which is to be ready for publication the last part of February.

John T. Madden, an Institute member of New York, led the discussion on the papers of Messrs. John B. Niven, E. E. Gore and Arthur Andersen, on December 30, at Chicago, before the American Association of University Instructors in Accounting.

George E. Morgan, president of the Indiana Association of Certified Public Accountants served as a member of a statewide committee organized by the Indiana State Chamber of Commerce to prepare a new blue-sky law. It is now before the legislature.

Lee J. Wolfe of New York, an Institute member, was elected secretary of the association of grand jurors, New York County, on January 15, 1925.

Fletcher Ruark of Montreal, Canada, a member of the Institute, has delivered several addresses before the Philosophical Society of Montreal; also the Mercury Club of that city and the Research Society. He served on civic and other committees in Montreal, under the auspices of clubs and societies during January.

Richard D. Seamans of Boston, an associate of the Institute, was appointed a city councillor of Salem, Massachusetts, in December, and as such is serving on several committees, including finance, licenses and permits and bonds, and on a special committee, representing the city, during the installation of the new accounting system installed by the commonwealth of Massachusetts.

Adrian V. Seay of Houston, Texas, a member of the Institute, addressed the salesmanship club of Houston on December 12, on Income tax. He also took part as solicitor in the community chest drive.

Herbert H. Twose, an associate of the Institute in Milwaukee, addressed the Lions Club at a meeting in the Hotel Pfister in Milwaukee, on federal income taxes.

William A. Ullrich, an Institute member of Dayton, Ohio, spoke on budgets and budgetary control for churches before two Methodist Episcopal churches in November and is to deliver the same address in six or more other churches in the Dayton district. Mr. Ullrich served as a member of the committee on programme and meeting for management week in Dayton during October.

J. S. Williams, an Institute member of New York, served as a member of the accountants' committee of the American Red Cross drive.

W. F. Vieh of Cleveland, Ohio, a member of the Institute, addressed the Cleveland Chapter of the National Association of Cost Accountants December 17, on pricing the inventory.

B. F. Reeves of Salt Lake City, Utah, a member of the Institute, is serving as chairman of the postal-facilities committee of the Salt Lake City chamber of commerce for 1925.

General S. H. Wolfe, an Institute member of New York, has been acting as statistical advisor to Justice John V. McAvoy, who was appointed by Governor Alfred E. Smith to make a special investigation of transit conditions in New York with a view to suggesting possible remedies. General Wolfe in the New York *Herald-Tribune* of January 25, 1925, presented a summary of the financial side of the transit situation. He reviewed the history of New York transit since 1832. He showed clearly that the city has to raise taxes to provide for interest on the transit debt under the dual contracts with the two traction companies which are operating the subway lines.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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MARCH 16, 1925

SERIES B, No. 11

### Meeting of Council

The spring meeting of the council of the American Institute of Accountants will take place Monday, April 13, 1925, at the Washington Hotel, Washington, D. C.

### Regional Meetings

Programmes for the regional meetings to be held in Cincinnati and Dallas will be available shortly. The meeting to be held in New England is now under consideration, and details will be announced in the near future.

The Cincinnati meeting, which is to be held May 23rd, is for the district including western New York, western Pennsylvania, Ohio, Indiana and West Virginia.

At Dallas the meeting of the midwest region will be held May 7th, 8th and 9th.

For information in regard to these meetings inquiries should be addressed respectively to Ernest A. Roden, 909 Fourth National Bank building, Cincinnati, Ohio, and Loyd B. Smith, 601 Praetorian building, Dallas, Texas.

### Board of Examiners

The spring examinations conducted by the Institute and cooperating states will be held on the 14th and 15th of May next. Applications to the Institute should be in hand by April 1st in order to insure consideration prior to the examinations.

Attention is drawn to the fact that persons applying for C. P. A. registration and for admission to the Institute at the same time must file separate applications to state boards and to the Institute.

Regular meetings of the board of examiners are held on the first Tuesday of each month.

Waldron H. Rand, who has been a mem-

ber of the board of examiners for many years, tendered his resignation from the board, and this was accepted with much regret. The executive committee has appointed C. Oliver Wellington to fill the vacancy caused by Mr. Rand's resignation.

### Philadelphia Arbitration Court

Information as to the status of the existing commercial arbitration law in Pennsylvania has been given to the committee on public affairs of the Institute by the Arbitration Society of America.

An arbitration tribunal is in operation in Philadelphia. It is known as an arbitration court and was established through the efforts of the director of the department of public welfare, the president judge of the municipal court and the director of the bureau of legal aid.

Disputants submit a statement of facts to any judge of the municipal court who may be designated by the president judge, under the arbitration agreement, the decision of the judge sitting as an arbitrator having the same force and effect as a judgment obtained in a court of record. The disputants sign a voluntary arbitration agreement, and prepare a statement of the case, the plaintiff setting forth the claim in a single paragraph, and the defendant answering in another paragraph. Both plaintiff and defendant sign and swear to their respective statements, and thus the case is clearly before the arbitrator.

This procedure is based on an old act of the assembly in Pennsylvania passed by the legislature in 1805 and amended in 1836. Under the terms of this legislation it is lawful for all persons who so desire to agree in writing that a case shall be submitted to an arbitrator and that the decision of said

arbitrator shall bind them respectively as though the case had been decided in court.

Fifteen cases listed for the first session of the court occupied one hour and fifty minutes. Ten of the cases were settled finally. Three were continued for further information. The judge declared that more business had been transacted in the court in less than two hours than would be tran-

sacted ordinarily in the civil branch of the municipal court in two days. The cost to the taxpayer trying a civil case in a Philadelphia court is from \$150 to \$200. Under the arbitration plan costs are not assessed unless it becomes necessary to file the judgment as a judgment of record. It is expected that the arbitration court will be expanded rapidly.

## **COMMITTEE ACTIVITIES**

### **Federal Legislation**

In the course of a report to the executive committee, the chairman of the committee on federal legislation, Edward E. Gore, reviewed the work of his committee and stated that at a recent meeting it had been determined that amendments to the 1924 revenue law should be sought with the intention of extending jurisdiction of the board of tax appeals to all issues arising under the present or preceding revenue laws, including claims for refund, and, further, that the burden of proof in cases before the board of tax appeals should be borne by the commissioner of internal revenue and not by the taxpayer.

As a result of this decision, a bill was prepared, making provision for these amendments, but after consultation with members of the house of representatives, it was deemed unwise to attempt to secure legislation at the short session of congress which ended March 4th. The committee, therefore, deems it the part of wisdom to frame amendments and to await the opening of the next session of congress.

The committee reports that it is advised on apparently good authority that the chairman of the ways and means committee will convene his committee for the purpose of studying suggested amendments on or about September 15th next. The committee of the Institute therefore wishes to have ready at that time all amendments which may seem desirable to members of the Institute, who are probably better prepared than the members of any other profession to determine the necessity of amendment to the law. The committee recommends that this matter be the subject of mention in the *Bulletin*, and that members of the Institute be urged to prepare suggestions for amendments of the revenue law between now and mid-summer. Such amendments will be con-

sidered by the committee on federal legislation and will be put into such form as may seem desirable.

The committee also reports that it has extended its support to legislation intended to improve bankruptcy laws.

### **Public Affairs**

Copy for letter-bulletin 3 on *Credit Frauds*, in preparation of which the committee has been engaged since last December, has gone to the printer. The letter-bulletin is expected to make its appearance late this month.

Details as to the publication and distribution of this letter-bulletin were discussed at a meeting of the committee on February 25th. It was suggested that members and associates of the Institute be urged to supply all members of their staffs with copies of the letter-bulletin, and it was decided also to send copies to all certified public accountants who are not members of the Institute.

A plan of distribution of this letter-bulletin is being formulated and will be communicated to members and associates of the Institute, who will be given the first opportunity to obtain supplies to be sent to their clients and to those whom they may properly reach with an impersonal document.

Special efforts will be made to secure the coöperation of chambers of commerce and other civic organizations, as well as of trade bodies, in placing copies of this publication in the hands of all business men. One of these letter-bulletins will go to every member of the National Association of Credit Men, together with a revised geographical list of members and associates of the Institute.

Letter-bulletin 3 will be supplied without charge to chambers of commerce and other non-profit civic and public organizations,

for their members. Copies to the number of 50 will be sent on request to members and associates of the Institute without charge. Above that number the committee is obliged to ask that the printing cost be met. An initial edition of 50,000 has been ordered, of which 30,000 copies will be sent to the credit men of the country. More than 100,000 copies of letter-bulletin 2 have been distributed, and it is believed that there will be an even larger demand for letter-bulletin 3.

The assistance of many of the state societies of certified public accountants and of all the chapters of the Institute has been pledged to the committee in carrying out its plan of distribution. Members and associates of the Institute in various cities, in addition to the distribution which they make personally, will work in conjunction with state societies and the chapters of the Institute in arranging meetings to discuss credit frauds, in securing the publication of newspaper and other articles, and in service on committees of public and quasi-public organizations.

Newspaper articles will be prepared by the bureau of public affairs and will be available to all members and associates of the Institute and to state societies of certified public accountants and chapters of the Institute.

Envelopes of a size suitable for carrying the letter-bulletin through the mails and bearing no printed matter may be obtained at cost from the committee.

The coöperation of many of the state societies of certified public accountants in the general work of the committee has been pledged unofficially. At a number of the meetings of state organizations to be held this spring the question will come up for official ratification. A definite plan of coöperation will be submitted to all chapters of the Institute and state societies which indicate a willingness to assist the committee in carrying out its plans.

The committee during the month sent to local organizations information concerning an income-tax institute conducted in Georgia by the Georgia Society of Certified Public Accountants in coöperation with the Georgia Bankers' Association. This public service was regarded by the committee as noteworthy in many respects,

and the facts were passed along to other accountants' organizations with the suggestion that similar activities might be introduced in other states later this year or in 1926.

Three members of the Georgia State Society of Certified Public Accountants represented it in the tax institute—Joel Hunter, Allen W. Clapp and Thomas W. Branch. The sessions, held in the rooms of the Atlanta chamber of commerce, lasted all day and the accountants answered questions propounded by the bankers as to the operation of the 1924 federal income-tax law.

Five members of the Institute participated in the fifth annual tax congress conducted by the Illinois Manufacturers' Cost Association on February 26th, in Chicago, another noteworthy service by accountants. Addresses were delivered by Arthur Andersen, John A. Stolp, C. R. Whitworth and Albert T. Bacon. George E. Frazer presided. Copies of the programme of this tax congress are being sent by this committee to chapters and state societies as another example of public service.

A personal public-service record is being kept for each member and associate who reports activities to the committee or concerning whose activities of this nature the committee gains knowledge from any source. Members and associates are urged to use the report blanks each month to let the committee know of the public-service work that they are performing. The suggestion is again put forward that members and associates make known their affiliation with the Institute when appearing on any programme or when preparing matter for publication.

Many responses were received during the month to the request of the committee that reports be made by members and associates of all addresses delivered, articles and books written and public services performed. The March report blank accompanies this bulletin as it goes to members.

Among the outstanding services reported to the committee during the month was that of Herbert M. Temple, a member of the Institute, of St. Paul, Minnesota, who took part in the investigation of the affairs of the South Dakota rural credits board. He wrote the greater part of the report

and conclusions. The journal of the senate of South Dakota for the 50th day of the 19th session contained a report of the joint committee of the senate and the house appointed to investigate the condition and expenditures of the South Dakota rural credits board. A paragraph in this report reads, "Your committee expresses its appreciation to Mr. Herbert M. Temple of St. Paul, Minnesota, for advice and counsel given the committee on highly technical matters, for his careful and painstaking examination and analysis of the vast number of records and papers which were included in the investigation."

The committee during the month sent newspaper articles concerning the coming spring examinations to be conducted by the Institute in coöperation with various states to the Associated Press and the United Press Association.

Encouraging reports as to the progress made by commercial arbitration are being received by the committee. A federal law has been enacted and signed by President Coolidge which makes valid and enforceable written provisions or agreements for the arbitration of disputes arising out of contracts, maritime transactions and commerce among states and territories and with foreign nations. This federal law is applicable to causes of action over which the federal courts have jurisdiction, that is, where the amount involved is over \$3,000.

Oregon has enacted an arbitration law based on the statute now in force in New Jersey, which is regarded by the Arbitration Society of America as a model law. Similar measures are pending in the legislatures of Massachusetts, Indiana and Minnesota. Measures will probably be introduced during the current legislative sessions in Rhode Island, West Virginia, Montana, Oklahoma and Georgia. Members and associates of the Institute have been active in securing the introduction of many of these bills and have coöperated with business and professional organizations in calling to the attention of the business public and of the legislatures the benefits of commercial ar-

bitration. There is much that may be done in behalf of these measures by accountants.

The Oregon Society of Certified Public Accountants went on record at its January meeting as favoring commercial arbitration and adopted a resolution requesting the Portland, Oregon, chamber of commerce to lend its influence in behalf of an arbitration measure which had been introduced in the Oregon legislature. The measure later became law.

On February 28, 1923, justices of the federal, state and municipal courts of New York accepted the invitation of Mr. and Mrs. Vincent Astor to meet representatives of the bar and of business to discuss commercial arbitration under state laws, in order to relieve congestion in the courts and eliminate waste and friction in business contractual relations. On March 19, 1925, a discussion will be held at the home of Mr. and Mrs. Astor, on the question of utilizing to the best advantage the great national opportunity presented by the new federal law. Distinguished representatives of the bench, the bar, accountancy and other professions and business will be present and opportunity will be afforded for an exchange of views.

The coöperation of the Robert Morris Associates in the distribution of letter-bulletin 3 on credit frauds has been offered this committee by the secretary, Alexander Wall. The coöperation of the National Association of Credit Men has been offered by the secretary-manager, J. H. Tregoe. The assistance of these two organizations means that practically all the credit men in this country will receive copies of the publication and that many of them will actively assist in placing copies in the hands of other business men.

### **Other Organizations**

A special committee of the American Institute of Accountants, appointed to confer with a similar committee of the American Society of Certified Public Accountants, has been in communication with the latter committee, and a conference of the two committees is to be held in New York on Wednesday, March 18, 1925.

## **STATE LEGISLATION**

Demands upon the committee on state legislation have been heavy during the past

two months and a half. Many legislative bills have been introduced and in some



states there have been several bills dealing with questions affecting the practice of accountancy.

Some legislatures have now adjourned, and in other cases the time for introduction of new legislation has passed. Several bills which were most heartily supported by the accounting profession in their respective states have failed to pass. Some have died in committee and some have been defeated on the floor. Within the next few weeks the majority of state legislatures will have adjourned, and the indications at present do not point to any great number of changes in C. P. A. legislation.

### **Alaska**

Advices have been received from Alaska to the effect that the attorney general for the territory declared the certified public accountant law invalid because it was defective in not providing for the creation of the board.

In accordance with request from the governor of the territory, the members who had been appointed to serve will continue their work tentatively, but will not undertake to conduct any examination for the time being.

### **New York**

The following is the text of the so-called Phelps-Downing bill introduced in both houses of the legislature of New York. Three other bills bearing upon accountancy regulation have been introduced. The bill here printed is the one approved by the state education department, the New York State Society of Certified Public Accountants and other groups of accountants and individual practitioners:

An act to amend the general business law, in relation to the regulation of the practice of public accountancy and the authorization of public accountants to engage in such practice, and providing for appointment of board members by zones.

The people of the state of New York, represented in senate and assembly, do enact as follows:

Section 1. Article eight of chapter twenty-five of the laws of nineteen hundred and nine, entitled "An act relating to general business, constituting chapter twenty of the consolidated laws," as amended by chapter four hundred and forty-three of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

## **ARTICLE VIII.**

### **Public Accountants.**

#### **Section 80. Definitions.**

- 80-a. New York board of accountancy.
- 80-b. Qualifications and expenses.
- 80-c. Powers of the board.
- 80-d. Organization and meetings of the board.
- 80-e. Receipts and disbursements.
- 80-f. Records and reports.
- 80-g. Certified public accountants.
- 80-h. Issue of certificates under special provisions.
- 80-i. Issue of certificates to accountants of other states.
- 80-j. Issuance of licenses.
- 80-k. Expiration and renewal of licenses.
- 81. Penalties and their collection.
- 82. Use of firm names.
- 82-a. Practice of accountants from other jurisdictions.
- 82-b. Effect of invalid provisions.
- 82-c. Revocation and re-issue of certificates of certified public accountant and license.
- 82-d. New certificate or license to replace certificate or license lost.

§ 80. Definitions. As used in this article (1) "The education department" means the education department of the state of New York, as provided for by the education law. (2) "The university" means the university of the state of New York. (3) "Regents" means the board of regents of the university of the state of New York. (4) "The board" means the board of accountancy referred to in section eighty-a of this article. (5) "The public practice of accountancy" is defined as follows: A person engages in the public practice of accountancy within the meaning and intent of this article who, holding himself or herself out to the public as a qualified practitioner of accountancy, offers for compensation to perform or who does perform, on behalf of clients, a service that requires the audit or verification of financial transactions or accounting records; the preparation, verification and certification of financial, accounting and related statements for publication or credit purposes; or who, thus holding himself out, renders professional assistance in any or all matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts.

§ 80-a. New York board of accountancy. To carry out the provisions of this article, there is hereby created a stated board of accountancy, to be known as the "New York board of accountancy," hereinafter called the "board," consisting of five members, who shall be appointed by the regents of the university of the state of New York within sixty days after this article becomes effective. The members of the first board shall be appointed to serve for the following terms: one member for one year; one member for two years; one member for three years; one member for four years; and one member for five years. On the expiration of each of said terms, the term of office of each newly appointed, or re-appointed member

of the board shall be for a period of five years. Each member shall hold over after the expiration of his term until his successor shall be duly appointed and qualified. The regents may remove any member of the board for misconduct, incompetency, or neglect of duty. Vacancies in the membership of the board, however created, shall be filled by appointment by the regents for the unexpired term.

§ 80-b. Qualifications and expenses. Each member of the board shall be a citizen of the United States and a resident of this state at the time of his appointment. He shall have been engaged in the practice of accountancy, as defined in section eighty of this article, for at least five years, and shall have been a certified public accountant for at least two years, and shall be, after this article becomes effective, a licensed practitioner in this state, as provided in this article. Each member of this board shall receive such compensation as may be determined by the regents, for attending sessions of the board or of its committees, and for the time spent in necessary travel, and in addition shall be reimbursed for all necessary travel and other necessary expenses incurred in carrying out the provisions of this article. At least one member of the board shall be a bona fide resident when appointed in one of the counties immediately hereinafter specified, to wit: Richmond, Kings, Queens, Nassau, Suffolk, New York, Bronx, Rockland or Westchester, constituting the eastern zone; at least one member of the board shall be a bona fide resident when appointed in one of the counties immediately hereinafter specified, to wit: Saint Lawrence, Franklin, Clinton, Essex, Warren, Washington, Rensselaer, Columbia, Dutchess, Putnam, Orange, Sullivan, Delaware, Broome, Cortland, Onondaga, Oswego, Jefferson, Lewis, Herkimer, Hamilton, Saratoga, Schenectady, Albany, Greene, Ulster, Oneida, Madison, Chenango, Otsego, Fulton, Montgomery or Schoharie, constituting the central zone; and at least one member of the board shall be a bona fide resident when appointed in one of the counties hereinafter specified, to wit: Niagara, Erie, Chautauqua, Cattaraugus, Orleans, Genesee, Wyoming, Allegany, Monroe, Livingston, Wayne, Ontario, Yates, Steuben, Seneca, Schuyler, Chemung, Cayuga, Tompkins or Tioga, constituting the western zone.

§ 80-c. Powers of the board. Each member of the board shall receive a certificate of appointment from the regents and before beginning his term of office, he shall file with the secretary of state the constitutional oath of office. The board shall have power to compel the attendance of witnesses, administer oaths, and take testimony and proofs concerning all matters within its jurisdiction; and shall make all by-laws and rules not inconsistent with law, needed in the performance of its duty, and approved by the board of regents.

§ 80-d. Organization and meetings of the board. The board shall hold a meeting within thirty days after its members are first appointed, and thereafter shall in the month of October hold a regular annual meeting, at which it shall elect from its members a chairman, a vice-chairman and a secretary. Other regular meetings shall be held at such times as the by-laws of the board may provide,

and such special meetings shall be held as may be necessary. Notice of all meetings shall be given in such manner as provided in the by-laws. A quorum of the board shall consist of not less than three members.

§ 80-e. Receipts and disbursements. The secretary of the board shall receive and account for all moneys derived from the operation of this article and shall pay them to the regents, who shall pay therefrom all expenses incurred in carrying out the provisions of this article, and shall pay any portion of the moneys received, which shall remain after the payment of these expenses, into the state treasury.

§ 80-f. Records and reports. The board shall keep a record of its proceedings and a register of all applicants for the certificate of certified public accountant, showing with respect to each application, the date, name, age, education, and other qualifications, place of business and place of residence, whether or not an examination was required, and whether the applicant was rejected or a certificate of certified public accountant granted, and the date of such action, and in any civil or criminal proceeding involving the violation of any part of this article, the books and register of the board, or a certificate thereof by the chairman of the board, shall be prima facie evidence of all matters recorded therein.

§ 80-g. Certified public accountants. The certificate of certified public accountant shall be granted, upon application to the regents and the payment of a fee of twenty-five dollars, which fee is to accompany the application, to any citizen of the United States, or to any person who has declared his intention of becoming such citizen, who resides within the state of New York or has a place for the regular transaction of business therein, who is twenty-one years of age or over and of good moral character, who submits evidence satisfactory to the board of the possession of academic and professional qualifications for the public practice of accountancy, and who passes the required examination; provided, that the certificate of certified public accountant issued to any person who has declared his intention of becoming a citizen of the United States shall automatically be revoked at the expiration of six years from the date of the declaration of the intention of such applicant to become a citizen, unless prior to the expiration of said six years evidence is furnished to the regents that the applicant has become a citizen of the United States; and the regents shall make all necessary rules for the examination of persons applying for the certificate of certified public accountant and for otherwise carrying into effect the provisions of this section.

§ 80-h. Issue of certificates under special provisions. The regents may, in their discretion, or upon recommendation of the board and the submission of evidence of professional qualifications as hereinafter in this section provided and without examination and upon the submission of evidence of reasonable education, but otherwise subject to the qualifications as to citizenship, residence or place of business, age and character prescribed in section eighty-g of this article, including payment

of a fee of twenty-five dollars, issue the certificate of certified public accountant—

(a) To any accountant who on January first, nineteen hundred and twenty-six, is engaged within the state of New York in the public practice of accountancy on his own account, or as a member of a co-partnership, or to any accountant who is an officer in a corporation whose business involves the public practice of accountancy as defined in section eighty of this article in the state of New York, on January first, nineteen hundred and twenty-six, and who was thus engaged in one or more of said capacities for a period of three years prior to such date.

(b) To any accountant who on January first, nineteen hundred and twenty-six, is engaged within the state of New York in responsible practice of accountancy engagements by reason of being an employed member of the staff of a public accountant or co-partnership or of a corporation whose business involves the public practice of accountancy as defined in section eighty of this article within the state of New York on January one, nineteen hundred and twenty-six, and who has been so engaged for a period of three years prior to such date.

(c) To any accountant engaged in public practice within the state of New York on the first day of January, nineteen hundred and twenty-six, who is a graduate of a school of accountancy approved by the board of regents and who subsequent to such graduation received a certificate of certified public accountant after passing the examination given by a duly constituted board of certified public examiners in another state in which the examination is equal to that required in New York and who has been in responsible practice of accountancy for a period of not less than two years after receiving such certificate of certified public accountant. Provided, that no certificate of certified public accountant shall be granted under the provisions of this section unless application for such certificate is made on or before the first day of January, nineteen hundred and twenty-seven, and unless the applicant has been in continuous practice or employment within the state of New York from the date this article becomes effective to the date of his or her application and decision thereon; and the regents shall make all necessary rules for carrying into effect the provisions of this section.

§ 80-i. Issue of certificates to accountants of other states. The regents may, in their discretion, or upon recommendation of the board and the submission of evidence of professional qualifications as hereinafter in this section provided, and without examination, but otherwise subject to the qualifications prescribed in section eighty-g of this article, including the payment of a fee of twenty-five dollars, issue the certificate of certified public accountant to any accountant who has practised three years or more in another state or political subdivision of the United States on his own behalf or as a member of a co-partnership provided the applicant for said certificate of certified public accountant possesses a license or certificate of his qualifications so to practise issued by the proper authorities of such state or political subdivision.

§ 80-j. Issuance of licenses. The regents upon application, and upon the payment of a fee of two dollars and upon recommendation of the board, shall issue to any person to whom the certificate of certified public accountant has been granted, a license to engage in the public practice of accountancy, which license shall cover a period of time not exceeding thirteen months, and shall be renewable as hereinafter provided in this article, and under the authority of which the person to whom the license is issued, may engage in the public practice of accountancy in the state of New York, either on his own behalf, or as a member of a firm of public accountants. The regents shall annually during the month of January publish an alphabetical list of the names, certificate numbers and last-known addresses of all certified public accountants, who are licensed to practice as hereinafter provided, and containing also an alphabetical list of the names of the co-partnerships and firms, any member of which is licensed to practice, with the names of members licensed to practice, and shall mail one copy to every person listed therein, to every public library in this state, and to every county clerk in this state, and otherwise distribute the same as the regents in their discretion may consider advisable. And each such published list shall contain at the beginning thereof these words: "Each certified and licensed public accountant receiving this list is requested to notify the secretary of the board the name and address of any person known to be practising as a public accountant, whose name does not appear in this registry. The names of persons giving such information shall not be divulged."

§ 80-k. Expiration and renewal of licenses. The licenses issued under this article shall expire on the last day of the month of December following their issuance or renewal, and shall become invalid on that date unless renewed; provided that licenses issued between December first and December thirty-first in any year, shall not expire until December thirty-first of the year following. It shall be the duty of the secretary of the board to notify by mail every person licensed hereunder, of the date of the expiration of his or her certificate, and the amount of the fee required for its renewal for one year; and such notice shall be mailed at least one month in advance of the date of expiration of said certificate.

Renewal may be effected, provided no disqualification has occurred, at any time during the month of December, upon application by the holder of the license, for renewal, and the payment of the annual license fee of two dollars to the secretary of the board. The failure on the part of any licensee to renew his license annually in the month of December, shall not deprive him or her of the right of renewal thereafter, but the fee to be paid for the renewal of a license after the month of December, shall be increased twenty per centum for each month, or fraction of month that payment for a renewal is delayed, provided, however, that the maximum fee for a delayed renewal shall not exceed twice the regular fee.

§ 81. Penalties and their collection.

(1) Any person who shall

(a) Sell or fraudulently obtain or furnish any

certificate of certified public accountant or license, or aid and abet the same, or

(b) Practise accountancy as defined in section eighty of this article, under cover of any certificate of certified public accountant, or license illegally or fraudulently obtained, or signed, or issued unlawfully, or under fraudulent representation or mistake of fact in a material regard, or

(c) Advertise to practise accountancy under a name other than his own, or under a false or assumed name, and

(2) Any person, who not being a certified public accountant and licensed to practise accountancy within this state, as defined in section eighty of this article, or not authorized within the provisions of sections eighty-two and eighty-two-a, shall

(a) Practise or holds himself out to practise public accountancy, or

(b) Use in connection with his name, any designation tending to imply or designate him as engaged in the public practice of accountancy, or

(c) Use the title "certified public accountant," or any abbreviation thereof in connection with his name, or with any trade name in the conduct of any occupation or profession involving or pertaining to the practice of accountancy, unless duly authorized by law to use the same, and

(3) Any person who during the time his license to practise accountancy shall be suspended or revoked, shall practise accountancy as heretofore defined, shall be guilty of a misdemeanor. Such misdemeanor shall be punishable by imprisonment for not more than one year, or by a fine of not more than five hundred dollars, or by both such fine and imprisonment for each separate violation.

(4) All courts of special sessions within their respective territorial jurisdictions are hereby empowered to try, hear and determine such crime without indictment, and to impose the penalties herein prescribed.

Such misdemeanors shall be prosecuted by the district attorney of the county wherein the same are committed, and at any time the attorney-general may, without further authority or direction, supersede the district attorney in the prosecution of such misdemeanors.

(5) In addition to the criminal liability, imprisonment and fine, as above provided, a civil penalty is hereby prescribed and imposed, which shall be one hundred dollars for each such violation to be recovered by the attorney-general in an action against the party or parties guilty of such violation, which action shall be maintained in the name of the people of the state of New York. Such civil penalty shall be cumulative, and each separate day's violation shall constitute a separate violation, for which recovery may be had by the attorney-general, as above provided. The attorney-general, with the consent of the state commissioner of education, may compromise claims for such penalties, and accept less than the amount claimed, or due, before or after an action has been begun. No compromise may be made, however, after a decision made or verdict rendered, except pursuant to section thirty-four of the state finance law. Notwithstanding the provisions of any other general, local, or special law, all penalties, fees, forfeitures of bail and fines recovered under this ar-

ticle shall be paid to the regents, who shall pay over to the attorney-general out of the sums received, a sufficient amount to pay the salaries of such deputies and assistants as the attorney-general shall assign for the enforcement of this article, and the attorney-general is hereby authorized to pay any deficit in such salaries, or any additional sum necessary out of his general appropriations. The balance of such sums retained by the regents shall be used for the expenses of the regents in the enforcement of this article. On the first day of July, beginning in the first year after this act takes effect and each year thereafter, the regents shall pay any balance of such fund remaining in their hands to the state treasurer. After this article shall take effect, the regents shall report to the state comptroller on the fifth day of every month, the amounts received by them under this article and remaining in their hands, with all expenditures made by them for the preceding month.

(6) The display of a card, sign, or an advertisement bearing a person's name as a practitioner of accountancy in any manner, or by implication, or containing any other matter forbidden by law, shall be presumptive evidence in any prosecution or hearing against such person that the person whose name is so carried thereon is responsible for the display of such card, sign, or advertisement, and that he is advertising to practise accountancy thereby. In any prosecution under this section, the proof of a single act prohibited by law shall be sufficient without proving a general course of conduct.

(7) All violations of this article when reported to the regents or the board, and duly substantiated by affidavits or other satisfactory evidence, shall be investigated, and if the report is found to be true, and the complaint substantiated, the regents or the board shall report such violation to the attorney-general and request prompt prosecution. The regents may appoint such inspectors as are necessary, to be paid from the funds received under this article, at such salaries as they may determine, for the purpose of the investigation of such violations.

§82. Use of firm names. Nothing contained in this article shall prevent the use in accountancy practise of a firm name or style of partnership duly registered under the laws of this state, provided one partner of such firm and every partner of such firm who is engaged in the conduct of accountancy practise in the state, is a certified public accountant of New York, and is duly licensed to practise in New York, as elsewhere provided in this article; and further provided that every member of such firm is a certified public accountant or chartered accountant or otherwise legally qualified accountant of the state or country of his domicile; and further provided that unless every member of such firm or such co-partnership is a certified public accountant, said firm or co-partnership shall not hold itself out as a firm or co-partnership of certified public accountants; and nothing contained in this article shall prevent the employment by a certified public accountant, or a firm or co-partnership of certified public accountants, of unlicensed persons as junior, semi-senior, or senior or other assistant accountants, provided that the unlicensed employees

work under the control and supervision of certified public accountants, and do not certify to any one the accuracy or verification of audits and statements, and provided further that such unlicensed employees do not hold themselves out as engaged in the practice of accountancy as defined in section eighty of this article; and nothing in this article contained shall prevent the continuation in practice of any corporation of this state which was or shall be chartered prior to January first, nineteen hundred and twenty-five, to practise accountancy, and which has since continuously so practised and is engaged in the practice of public accountancy at the time this article takes effect, provided that no person other than a certified public accountant of this state shall act as its executive or manager or shall execute on its behalf any certificate or report.

§ 82-a. Practice of accountants from other jurisdictions. A public accountant who has not qualified to practise under this article, and who resides without the state of New York, and who does not hold himself or herself out to the public as a practitioner of accountancy within the state of New York, may perform work within this state on engagements which arise as an incident to his or her practise in the state or political jurisdiction in which he or she is accredited; provided that the exercise of this privilege shall not be made continuous practise by such accountant within the state.

§ 82-b. Effect of invalid provisions. Should the courts of this state or the United States declare any provision of this article unconstitutional or unauthorized, then such decision shall affect only the section or provisions so declared to be unconstitutional or unauthorized, and shall not affect any other section or part of this article.

§ 82-c. Revocation and re-issue of certificates of certified public accountant and license. The regents shall have the power, on the recommendation of the board, to revoke the certificate of certified public accountant or license to engage in the practise of public accountancy, of any certified public accountant, licensed under the provisions of this article, who has been convicted of a felony, or, who is found guilty of any fraud or deceit in obtaining a certificate of certified public accountant, or a license to practise public accountancy or of gross negligence, incompetency, or misconduct in the practice of public accountancy. Any person

may prefer charges of such fraud, deceit, negligence, incompetency or misconduct against any certified public accountant licensed under the provisions of this article; such charge shall be in writing, sworn to by the complainant and submitted to the board. The board shall fix the time and place for a hearing upon all charges submitted to it. The board shall fix the time and place for a hearing by not less than three members of the board, within three months after the date on which they are submitted. A copy of the charges, together with a notice of the time and place of hearing shall be served on the accused at least thirty days before the date fixed for the hearing, and in the event that such service cannot be effected thirty days before such hearing, then the date of hearing and determination shall be postponed to such further days as may be necessary to permit the service. At said hearing the accused shall have the right to appear personally and by counsel, and to cross-examine witnesses against him or her, and to produce evidence and witnesses in his or her defense. If after said hearing, three or more members of the board vote in favor of finding the accused guilty of any fraud or deceit, in obtaining a certificate of certified public accountant or license, or of gross negligence, incompetency or misconduct in the practise of public accountancy, the board shall recommend to the regents, the revocation of the certificate of certified public accountant or license of the accused. The regents may, on recommendation of the board, re-issue a certificate of certified public accountant or license to any person whose certificate has been revoked. The regents shall within thirty days notify the clerk of each county of the state of its revocation of a certificate of certified public accountant or license, or its re-issuance of a revoked certificate of certified public accountant or license.

§ 82-d. New certificate or license to replace certificate or license lost. A new certificate of certified public accountant or license to replace any certificate or license, lost, destroyed, or mutilated, may be issued upon presentation of satisfactory evidence to the board that the claim for such certificate or license is a valid claim. A charge of twenty dollars shall be made for such re-issued certificate and a charge of two dollars shall be made for such re-issued license.

§ 2. This act shall take effect immediately.

## **NEWS OF LOCAL SOCIETIES**

### **Idaho Association of Certified Public Accountants**

The officers and directors of the Idaho Association of Certified Public Accountants for the current year are Norman H. Young, Boise, president; Charles E. Folsom, Boise, vice-president; Jeremiah W. Robinson, Boise, secretary-treasurer; Clarence Van Deusen, Boise; Edwin A. Wilson, Twin Falls; James Munro, Boise, John Ewald, Boise.

### **Missouri Society of Certified Public Accountants**

#### **ST. LOUIS CHAPTER**

The regular joint monthly meeting of the St. Louis chapters of the American Institute and of the Missouri Society of Certified Public Accountants was held at the City club, St. Louis, February 5th. E. H. Wagner addressed the meeting on the subject, "How can I make a client understand

that the work performed has its limitation?" In the discussion which ensued, the following points were emphasized:

1. That all accountants should realize that a client should not be expected to understand a "balance-sheet" audit, or any other technical description for accounting work. To the man in the street an audit was an audit, or a complete check of all transactions, therefore,
2. When discussing an engagement, the client should be told just what work would be done and how far "tests" were resorted to, and that,
3. Only the *recorded* transactions could be vouched for. This point was of the greatest importance and the accountant should always refer to the *recorded* transactions in any report or certificate issued. It was pointed out that the English form of certificate was very good in this respect, reading " \* \* according to the books and accounts of the company and to the explanations and information given \* \* ." An accountant should not be expected to certify to what should be on the books, but only to what was actually on the books.
4. When a report was rendered covering the accounting work done, the extent of the checking done should be set forth, and, if only a certified statement was issued, then a letter indicating the work done and the responsibility of the accountant, should be sent to a responsible officer of the company.

### **New York**

The regular March meeting of the New York State Society of Certified Public Accountants has been postponed to Monday, March 23rd. Since the beginning of the year, New York C. P. A. certificates have been issued on the reciprocity basis to the following accountants holding certificates of New Jersey, Pennsylvania or Massachusetts: Albert G. L. Baines, Hyman Besser, Harry A. Grube, Harvard L. Mann, Arthur James Mannix, Dale M. Spark and Francis A. Morrison.

A charter has recently been granted to the Buffalo chapter of the New York State Society of Certified Public Accountants, which was organized by Lewis H. Allen, William J. Gunnell. Edward H. Hoch, Edwin E. Leffler, Edgar G. Lucker, W. L. Lytle, Wilder G. Tiffany, Robert G. Severance and L. K. Watkins. The following officers have been elected: L. K. Watkins, president; Edwin E. Leffler, vice-president; Edgar G. Lucker, secretary; William J. Gunnell, treasurer.

### **English-speaking Accountants in Paris**

The quarterly luncheon of the English-speaking accountants in Paris was held February 4, 1925, at the Restaurant Drouant under the chairmanship of Maurice Norman. A general discussion on fiscal matters and other items of interest to the profession took place.

A. Lovibond and W. E. Seatree having retired by rotation from the committee and not being eligible for reelection for another twelve months, the members elected Charles Judson and A. L. Elder to fill their places. Oscar Fawcett was reelected honorary secretary.

Lots were drawn to decide which two members of the committee should retire at the end of the next year, with the result that the retiring members will be F. Carloss Griffiths and T. E. Sherlock Smith.

The secretary proposed a vote of thanks to the retiring members of the committee, expressing at the same time appreciation for the work they had done both in and out of the committee. This vote was carried unanimously, together with a vote of thanks to the chairman for presiding at the luncheon.

### **Pennsylvania Institute of Certified Public Accountants**

It is the practice of the Pennsylvania Institute of Certified Public Accountants to have monthly meetings during the fall and winter months, at which men who are prominent in various activities are invited to discuss problems of importance in which they are experienced.

At the monthly meeting on February 17th, the speaker of the evening was Walter R. Darby, who for several years has been commissioner of municipal accounts of New Jersey.

Mr. Darby described the condition of affairs that existed in New Jersey when he took charge in 1915 and how he had labored in unifying and strengthening municipal finance and other affairs in the various cities and counties. He explained also the plan of accounting now in use and described many of the terms and accounts used in the books, records and statements of the municipal accountants. The system being standardized, an account or term used by a city officer in one part of the state meant

the same in any other part of the state and would be clearly understood by all. He spoke of the condition of the sinking funds of the various municipalities and described how in former years it was the practice to issue bonds without providing satisfactory means for their redemption. Under present conditions, issue is not authorized without providing a means of redemption. While the certified public accountants are professional practitioners of the state and are engaged in many of the audits, Mr. Darby explained that both the certified accountants and others were required to take the municipal examination in order to demonstrate their fitness for municipal practice.

## **STATE BOARDS OF ACCOUNTANCY**

### **Ohio**

The following candidates were granted certificates at a meeting of the state board of accountancy of Ohio held February 21st: A. B. Charpie, Carl Clio Clayton, Albert Ray Cox, Edwin J. Ellig, Frederick G. Fielman, Donald Price Fleming, Glenn Walter Foster, Harry Frederick Hagedorn, William A. Hauptman, Carl LeRoy Holder, Marie Hurlebus, Ralph Goodwin Irvine, Henry M. Kimpel, Earle Hamilton LeMasters, Homer E. Lewis, Earl I. McArthur, Edward John Moehringer, Harold McCourtney Nichols, Edward William Riemer, Harry H. Rosen, Vincent C. A. Scully, Howard George Slagle, Wilford James Webb, George Carl Wimmer and John Wiseman.

Ninety-four candidates sat in the examination last October, and fifty-seven of these were being re-examined. Of the fifty-seven, eighteen passed and seven of the thirty-seven who were taking the examination for the first time passed. The re-examinations in almost every case were in practical accounting.

### **South Carolina**

The governor of South Carolina has appointed L. A. Searson of Columbia as a

The discussion which followed Mr. Darby's speech demonstrated the fact that New Jersey is considerably ahead of Pennsylvania in municipal accounting, and that a uniform system of accounting is very much needed in the latter state. It was suggested and strongly urged that the certified public accountants in Pennsylvania should take up with the legislature the question of introducing a bill requiring the establishment of uniform municipal accounting in Pennsylvania and that the installation thereof and the yearly audits should be placed under the jurisdiction of the certified public accountants of the state.

member of the state board of accountancy, and has also appointed George E. Olsen, Columbia, and L. L. Wilkinson, Columbia, to the board. The board has organized by electing Mr. Searson president, Mr. Olsen vice-president, and Mr. Wilkinson secretary and treasurer.

### **Texas**

The governor of Texas has appointed the following members of the state board of accountancy: C. M. Grider, El Paso; J. J. Gannon, Houston; V. E. Buron, Texarkana; F. G. Rodgers, San Antonio; Loyd B. Smith, Dallas. The board will organize in the near future.

Following is a list of candidates who passed the Texas examinations in November, 1924: Edgar I. Unzicker, Chester Charles Boldt, Robert Bertram Thrift, Kenneth S. Mandell, Cecil C. Hastings, Robert Hart Purcell, Price Cheaney, Jr., Edward L. Gelder, Herman Otto Fischer, William Flavius Smith, E. G. Hendrix, George B. Simpson, J. K. Fleming, O. H. Maschek, Henry G. Mayhew, P. C. Fewell, A. H. Stevens, J. F. Collier, Forrest Mathis, Thomas Franklin Kennedy, Clifton H. Morris, C. L. Wilson and Theodore Ferguson.

## **DECISIONS AFFECTING ACCOUNTANCY**

### **U. S. Board of Tax Appeals**

The subjects of patent depreciation and the making of deductions in income-tax returns for exhaustion are covered in a deci-

sion handed down by the United States board of tax appeals, docket No. 35, case No. 147. The taxpayer, an Ohio corporation, owns a number of patents acquired

during the years 1906 to 1908, inclusive, at a cost of \$38,285. On March 1, 1913, these patents had a fair market value of \$135,000, and on that date they had a remaining life of about ten and a half years. The taxpayer did not claim any deduction on account of depreciation of patents in his original income and profits-tax return for 1918. The revenue agent examining the taxpayer's books recommended an allowance of deductions for exhaustion of patents based upon the cost of the patents. The taxpayer then filed an amended return claiming such deductions based on the value of the patents on March 1, 1913. The commissioner disallowed the deductions so claimed, and determined a deficiency in tax for the year 1918 in the sum of \$2,114.47. From such determination an appeal was taken. The board ruled that the taxpayer who has failed to take depreciation of patent rights in former tax returns may file amended returns for that purpose, and that the failure of the taxpayer to claim such deduction in his original return does not constitute the exercise of an election or option and does not preclude the claiming of such deduction by amended returns.

### Connecticut

In a decision handed down by the United States district court of Connecticut, in the case of *Capewell Horse Nail Co. vs. James J. Walsh*, it was held that income taxes for 1916 and 1917 assessed by the collector in excess of that which should have been paid by law may be recovered without proof of duress or protest if such excess payment appears on the face of the return and application for abatement was made and denied before the tax was paid.

In the same case it was held that a corporation can deduct for income-tax purposes losses sustained by a subsidiary corporation, if the latter was not an independent corporation, but a mere selling agent whose policy was directed and business assured by the parent company.

### Georgia

In a decision handed down by the court of appeals of Georgia, div. 2, December 17, 1924, in *Scott vs. Kelly Springfield Tire Co.*, the principle was enunciated in a syllabus by the court that where, in the trial

of an action upon an open account, the evidence warrants the inference that on a demand for payment the defendant had given to the plaintiff a cheque for the amount of indebtedness claimed, but that the cheque was thereafter protested and never paid, if these circumstances are unexplained, the jury would be authorized to conclude that the giving of the cheque was an admission of the justness and correctness of the account and to render a verdict accordingly.

### Idaho

In a decision handed down by the supreme court of Idaho, November 29, 1924, in *Curtis vs. Western Reporting & Credit Co., et al*, the court held that it is within the exclusive power of congress to determine the penalty that may be exacted of a national bank for taking, receiving, reserving or charging a usurious rate of interest. Judge William E. Lee in his decision said in part:

This action was instituted by the receiver of a failed bank to enforce payment of the principal and interest of three promissory notes. At the close of all the evidence, the court directed a verdict for the respondent (plaintiff below) for the principal of the notes; and a judgment was made and entered in favor of respondent and against appellants for the principal amount of the three notes, together with an attorney's fee and costs. At the outset of the trial, the parties stipulated that respondent was entitled to an agreed attorney's fee in the event of judgment in its favor. This appeal is from the judgment and from an order overruling a motion for new trial.

(1, 2) It appearing that the notes to enforce the payment of which this action was instituted were usurious, the court refused to allow the recovery of interest. Appellants contend that it was error for the court to allow the recovery of either the principal sum, attorney's fees, or costs; it being their contention that the notes are illegal and void in that they grew out of a contract between the defunct bank and appellants, the purpose of which was to violate the law in charging a usurious rate of interest. Appellants' contention is without merit. Respondent was a national banking association. It is within the exclusive power of congress to determine the penalty to be exacted of a national bank for taking, receiving, reserving, or charging a usurious rate of interest. \* \* \* \* \*

(3) Where the interest has not been paid, congress has limited the penalty for the usurious contracts of national banks to a forfeiture of the entire interest provided therein. The penalty is the fine or forfeiture imposed for the offense of usury. *Sanford v. Kunz*, 9 Idaho, 29, 71 P. 612. No other or greater penalty or forfeiture could have been imposed by the trial court.



### Minnesota

The supreme court of Minnesota on December 19, 1924, in the case of *Young vs. Yeats* and others, handed down a decision relative to the admissibility of books of accounts, holding that it is a measure addressed to the discretion of the trial court. In this case the owner of an apartment house who had commissioned the defendants as her agents to take charge of the renting of the building, terminated the contract before its expiration. The defendants brought suit against her to recover the balance claimed by them for expenditures and also to recover damages for breach of agency contract. The action terminated in a final judgment in favor of the agents on account of such expenditures, the claim for damages being eliminated. The apartment-house owner later sued for an accounting. The supreme court held that in the disposal of this case the trial court ruled correctly that the disbursements made by the agents and all rents received and commissions earned were fully litigated and determined in the lower court, and that the agents had accounted fully for all matters set forth in the complaint and so were entitled to judgment accordingly.

The supreme court of Minnesota on December 19, 1924, handed down a decision in *Meighan vs. Cohen* in which it was ruled that the holder of a note against a bankrupt is entitled to offset it against money owing the bankrupt. The syllabus prepared by the court says:

"The defendant was the owner of an overdue note of the bankrupt and another person. In a connected transaction a sum of money was paid to him to be paid to the bankrupt if a stock of goods then sold by the bankrupt should prove to be unencumbered. It was unencumbered, the sale was completed, and the bankrupt became entitled to the money. Held, that the defendant was entitled to offset the note against the money."

### New York

A decision upholding the right of the New York state board of regents to make and enforce rules governing the granting of certified public accountant degrees was handed down January 7, 1925, by the appellate division, third department in the case of the *People vs. Sexton*, reported in 207 N. Y. S. 377.

A candidate had attempted to compel the

regents, by mandamus, to register him as a certified public accountant. Though the candidate won in the supreme court, the appellate division reversed the lower court, and ruled that the regents, if not arbitrary, may make and enforce rules relative to the issuance of certificates.

The candidate for certified public accountant registration in New York had passed a written examination given by the state board of accountancy and was eligible for registration in every respect, except in the matter of experience covered by section 426 (a). The board of regents ruled that he had not had the two years' experience required by the rules of the board and by law and refused the candidate registration.

The candidate brought an action in special term of the supreme court in Albany county to compel the board of regents to issue him a certificate, suing for a writ of mandamus. The candidate was victorious in that court. An appeal was taken, as a result of which the appellate division reversed the decision of the lower court unanimously. This means that the case cannot be taken higher except by consent of the appellate division. It was held by the appellate division that the regents' rule is reasonable and that they have power to make and enforce their own rules. If the regents are not arbitrary in the enforcement of their rules, the court held that it could not order issuance of certificates.

Harold Dudley Greeley, an Institute member, discussing the case says:

The point of the case is that the regents' rule 426 (a) requiring two years' experience "in the employ of a certified public accountant" is not complied with by being in the employ of an uncertified public accountant but working under the supervision of fellow employees who were certified. The court said that the regents' rule is not arbitrary. The reason for the rule is that there must be experience under an employer who is certified and who as employer will feel a personal and professional responsibility for the work of the employee. "A co-employee has no such direct responsibility for the character and quality of the candidate's work, and has no power to select him or discharge him. Proper supervision and training of the candidate are more likely to be secured if the employer is a certified accountant, for the reason that 'he is responsible professionally, as well as personally, for the acts of the candidate and is bound to exercise a much greater degree of supervision than would be exercised by any mere employee. His own self interest demands it.'"

## **SPEECH REVIEWS**

The following summaries of addresses delivered and articles written by accountants are prepared from copies supplied to the Institute. Readers of the *Bulletin* who have recently spoken before groups of business men or other organizations or have written articles for publication are invited to supply copies of their speeches and writings so that summaries of them may be given in this publication.

### **ERNEST CROWTHER—"BRIEF COMMENTS ON ACCOUNTANCY."**

Address delivered January 15th, at annual banquet of Pittsburgh school of accountancy, Americus club, Pittsburgh.

Mr. Crowther expressed the belief that it is a duty for older practitioners to pass on the experience they have gained to those who are to follow in their steps. Accountancy, he pointed out, is more than the recording of business transactions in books. It has no termination of learning. Proficiency in technique and in theory are essential, but, in addition, the accountant must be a student of human nature and of changes in economic conditions. His services are in demand for the human audit in addition to the financial audit. Experience is the only source through which this ability can be acquired. The speaker urged students not to undertake too many subjects at one time but to see to it that they had a balanced programme of study. He suggested, too, that students attend meetings of the local chapters of the American Institute of Accountants, of the Pennsylvania Institute of Certified Public Accountants and the National Association of Cost Accountants. The test of preparation comes when the student approaches the responsibility of his position in the public accounting field.

### **STANLEY G. H. FITCH—"RELATION OF COST ACCOUNTING TO FEDERAL TAXES."**

Paper read before the western Massachusetts chapter of the National Association of Cost Accountants at Northampton, Mass. December 30, 1924.

Mr. Fitch spoke of the rapid development of cost accounting and called attention to the fact that it has shown no abatement even though the federal excess-profits tax was removed in 1921. Defining cost accounting, he said that it includes not only the bookkeeping work incidental to the tabulation of figures relating to costs but embraces complete general accounts, usually in condensed form, including appropriate controlling accounts for raw materials, work in process, finished product, overhead expenses, etc., from which periodical statements of operations and financial condition can be prepared. It embraces subsidiary records in support of the major controlling accounts, kept in such detail as may be required to disclose necessary analytical information relating to costs, raw and

finished stock in hand, etc. It embraces also the interpretation in the light of comparative standards of the figures disclosed by the accounts; the whole field of materials control, the efficiency of labor, report turnover, writing and planning of work, and the determination, apportionment and application of the elusive element of overhead expense. This means that cost accounting concerns the entire range of industrial accounting. In his discussion Mr. Fitch limited himself to a consideration of cost finding as affecting profits. Operating profits and taxable income do not always agree. Mr. Fitch makes the point that they seldom agree. He quoted from the revenue act, 1924, section 212 (a) with regard to net income and gave extracts from regulations 65. He pointed out that no correct determination of net income can be made without the use of inventories; in fact the basis of the inventory valuation plays a predominant part in the determination of net income. Cost accounting is essential where stocks of finished goods and goods in process are to be valued, and cost data should be developed with a full knowledge of the information necessary to establish values which will conform to the requirements of the federal tax law and regulations.

### **H. T. SCOVILL—"RELATION OF ACCOUNTING INSTRUCTORS TO PROFESSIONAL ASSOCIATIONS."**

Delivered before the American Association of University Instructors in Accounting, Chicago, December 30, 1924.

Professor Scovill urged that accounting instructors should take periodically a physical inventory of their teaching qualifications. Such an inventory should show the instructors that they cannot attain cooperation between their departments and business and professional men if one side is to do all the "co-ing" and the other all the "operating." He referred to the ignorance of professional accountants as to the work of higher educational institutions. He expressed the belief that accounting instructors are ignorant of what professional accounting societies and allied business associations have been doing. He made a plea for a closer relationship between accounting instructors and professional accountants' associations and devoted much of his address to descriptions of some of the professional accounting societies, their requirements for membership and their ideals and accomplishments. He stated that about forty of the states have societies of certified public accountants, sixteen of which have been organized in the last ten years. Some of them are active in supporting civic projects and in initiating sound business or financial legislation. He went into detail as to the organization and aims of the American Institute of Accountants and reviewed some of its accomplishments. He made reference to the National Association of Cost Accountants and to other organizations. He recommended that accounting instructors should affiliate with these various organizations if and when eligible. He recommended especially any that stand for high ideals

and recognize that the professional accountant of the future is to be a business advisor to his clients and that accounting instructors are an essential part of the profession. Instructors, he believed, should

not overlook the fact that professional societies cannot succeed indefinitely without the support of instructors in accounting, and the latter cannot succeed without the professional societies.

## OBITUARY

### Alonzo Richardson

Alonzo Richardson, senior partner of Alonzo Richardson & Co. died at his home in Atlanta, Georgia, February 26th. Mr. Richardson was a prominent member of the accounting profession in his state and had taken a good deal of interest in professional accountancy throughout the country. He was a member of the American Institute of Accountants, a certified public accountant of Georgia and a past president of the Georgia Society of Certified Public Accountants. He was an active member of the Methodist church. Mr. Richardson leaves a widow, three sons and one daughter.

### David A. Houston

David A. Houston, member of the American Institute of Accountants, certified public accountant of Illinois, died at his home 545 Oakdale avenue, Chicago, on

March 7th. Mr. Houston was a member of the Illinois Society of Certified Public Accountants and a chartered accountant of Glasgow. He was born at sea 43 years ago, his father being master of a sailing vessel. The funeral services were held at the Lakeview Presbyterian church on Monday, March 10th. Mr. Houston leaves a widow and two young daughters.

### Arthur Edward Green

Arthur Edward Green, past president of the Society of Incorporated Accountants and Auditors, died at his home, London, England, February 19th, after a long illness. Mr. Green was an original fellow of the Incorporated Society, and had been in practice approximately 45 years. In 1908 he was a delegate to a meeting of the American Association of Public Accountants held at Atlantic City.

## HERE AND THERE

Reminiscences of the early days of American accountancy which have been appearing in *The Journal of Accountancy*, written by James T. Anyon, have been considerably amplified and are about to appear in the form of a booklet published by Mr. Anyon himself at the request of many of his friends.

It is announced that the corporation of V. Frank Banta, Inc., has been succeeded by a partnership, V. Frank Banta & Co., with offices at 360 North Michigan avenue, Chicago, Illinois.

Louis D. Blum, New York, has been awarded a gold medal by the trustees of the Walton medal fund for receiving high honors at the American Institute examinations of May, 1924.

Scales & Motherhead announce the formation of a partnership with offices at 402 Fort Worth National bank building, Fort Worth, Texas.

Joseph Gill has become associated with Frederic Francis & Co., 25 West 43rd street, New York.

Halbert & Co. announce the removal of their offices to 410 Drexel building, Fifth and Chestnut streets, Philadelphia, Pennsylvania.

The firm of John Heins & Co. is now composed of William J. Blair, Roger K. Nevius and I. Russell Bush. They will continue the business previously conducted by them and the late Charles W. Walters at 914-917 Real Estate Trust building, Philadelphia, using the firm name John Heins & Co.

I. R. Lashins & Co. have removed their offices to 150 Broadway, New York.

Loomis, Suffern & Fernald announce the retirement of J. S. Morris Goodloe from the firm, and that Loomis, Suffern & Fernald will be composed of Edward L. Suffern,

Henry B. Fernald and W. Homer Conkling, who will continue their practice at 50 Broad street, New York. J. S. Morris Goodloe will continue in practice on his account at room 1413, 50 Broad street, New York

Nat E. Margolin, John Linker and Sol Farb announce the formation of a partnership, practising under the firm name of Margolin, Linker & Farb, with offices at 33 West 34th street, New York.

Philip N. Miller & Co. announce the removal of their offices to 50 Broad street, New York.

Walter K. Mitchell has removed his office to 714 H. W. Hellman building, Los Angeles, California.

Peat, Marwick, Mitchell & Co. announce the opening of an office in the Union Trust building, Cleveland, Ohio, under the management of Albert F. Elkins.

C. H. Preston spoke on the subject of income taxes before the St. Paul Association of Office Men on February 10th.

Price, Waterhouse & Co. announce the removal of their Seattle office to 962-967 Stuart building.

George A. Touche & Co. announce the removal of their Winnipeg office to 356 Main street.

Henry F. Tully announces the removal of his office to 1102 Majestic building, Detroit, Michigan.

James F. White and W. Wallace Gibson announce the formation of a partnership, practising under the firm name of James Frederick White & Co., with offices in the Canadian Pacific building, 342 Madison avenue, New York.

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The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

R. J. Beaman, of Cincinnati, an Institute member, addressed the Rotary club at New-

port, Kentucky, January 28th, on "Budgetary Control in Business."

Reynold E. Blight, an Institute member of Washington, D. C., addressed the Richmond Masonic lodge of Richmond, Virginia, on February 21st on "Washington—Statesman and Patriot."

Arthur E. Chandler, of Akron, Ohio, a member of the Institute, addressed the Rotary club at Mansfield, Ohio, February 3rd, on "Inequality of Surtax Taxes and Points of Interest in the 1924 Income Tax Law."

H. G. Crockett, of New York, a member of the Institute, addressed the Glen Ridge forum of Glen Ridge, N. J., February 17th, on "Political Aspects of Dawes Plan."

Edward E. Gore, of Chicago, past president of the Institute, addressed the Illinois chamber of commerce at Chicago, on January 3rd, on "Legislation needed in Illinois" and the Chicago crime commission on January 22nd, on "Local Crime Situation."

J. Pryse Goodwin, an Institute member of New York, addressed the National Association of Cost Accountants on January 13th on the desirability of arbitration.

John J. Harrington of Waltham, Mass., an associate of the Institute, delivered an address on February 12th, before the Kiwanis club of Waltham, on "Income Taxes—Federal and State."

David A. Jayne, an Institute member of Charleston, West Virginia, on January 10th addressed the Rotary club of Montgomery, West Virginia, and on January 20th spoke to the Rotary club of Winston-Salem, North Carolina.

Francis S. Lamb of Oshkosh, Wisconsin, one of the new members admitted February 1st, is president of the Oshkosh Association of Credit Men.

W. E. Langdon, of Columbus, Ohio, a member of the Institute, is a member of the solicitation scheme committee of the Columbus chamber of commerce.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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APRIL 18, 1925

SERIES B, No. 12

### Council Meeting

The regular spring meeting of the council of the American Institute of Accountants was held at the New Washington Hotel, Washington, D. C., April 13, 1925. Reports of committees were presented and important discussions took place. The principal acts of the meeting will be recorded in the bulletin to be issued May 15th. Chairmen of all committees were invited by the president to attend the meeting. There was a large attendance of council members.

### Edward L. Suffern

As this bulletin goes to press advice is received of the death of Edward L. Suffern, one of the foremost accountants in the United States. Mr. Suffern was president of the American Association of Public Accountants from 1910 to 1912. He had also been president of the New York State Society of Certified Public Accountants. Further reference to the death of Mr. Suffern must be deferred for publication in *The Journal of Accountancy*.

### Grading Internal Revenue Agents

The following letter received from J. G. Bright, deputy commissioner of internal revenue, is published by permission of the writer. Allegations to the effect that field agents of the income-tax department were graded by the amount of taxes assessed

were brought to the attention of the department and information was requested. The letter is in response to this inquiry:

TREASURY DEPARTMENT  
Washington

March 7, 1925

Mr. A. P. Richardson,  
Secretary, American Institute of Accountants,  
135 Cedar Street,  
New York, N. Y.

Dear Sir:

Receipt is acknowledged of your letter of February 20, 1925, addressed to the commissioner of internal revenue which has been referred to this office for consideration and reply.

You ask that information be furnished you concerning the assertion that it is the custom of the income-tax department to grade its field agents according to the amount of taxes which they assess.

In response to your inquiry you are advised that the statement that has been made as above quoted has no foundation in fact. An official order was issued to the entire field service under date of May 11, 1921, and has been renewed from time to time since that date, to the effect that the amount of additional tax which may result from a field verification of income-tax returns bears no relation to the efficiency of the examining officer. The elements that establish the efficiency of a field officer of the income-tax unit are the quantity and quality of his work, the number of tax years examined within a given period, his willingness, studiousness and efforts to advance professionally.

Your cooperation in stating the bureau's policy as herein set forth in response to inquiries that you may receive upon the subject will be greatly appreciated.

Very truly yours,  
J. G. BRIGHT,  
Deputy Commissioner.

### REGIONAL MEETINGS

#### Dallas

The committee in charge of arrangements for the regional meeting to be held at Dallas, Texas, May 7th, 8th and 9th is now

perfecting the programme. The committee reports that there are indications of large attendance from all parts of the Mississippi Valley. Officers of the Institute

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will be present and there will be discussions of the principal activities of the Institute as well as consideration of many technical subjects. The committee is inviting representative bankers and business men to attend the meeting. Full information may be obtained from Loyd B. Smith, Praetorian building, Dallas.

### **Cincinnati**

A regional meeting of the Institute will be held at Cincinnati, May 23rd. The committee on arrangements consists of the following: R. J. Beaman, A. H. Brendel, J. D. Cherrington, J. D. Cloud, F. W. Fuller, C. A. Gano, R. H. Gravett, A. H. Klehfoth, George R. Lamb, E. A. Roden,

H. W. Weiss and L. H. Willig. A sub-committee consisting of Messrs. Gano, Lamb and Gravett has been appointed to plan the programme. The special committee on public affairs of the Institute is coöperating with the sub-committee in the preparation of the programme. Following the precedent which has been established at recent regional meetings, the meeting at Cincinnati will be largely devoted to the consideration of one subject, which on this occasion will be credit frauds. This subject is peculiarly appropriate in view of the fact that the bureau of public affairs of the American Institute of Accountants has just issued letter-bulletin No. 3 dealing with this question.

## **INSTITUTE CHAPTERS**

### **Northern Ohio**

A dinner meeting of the Northern Ohio chapter of the American Institute of Accountants was held April 11th at the Cleveland Athletic club, Cleveland. A. G. Potter addressed the meeting on the subject of the natural year as opposed to the calendar year for fiscal purposes. Cleaveland R. Cross, an attorney, addressed the meeting on *The Tax Situation in Ohio*. In addition to chapter members many guests were present. Copies of the roster of the Northern Ohio membership are still available for distribution to those who are particularly inter-

ested. Requests should be addressed to Lewis Wintermute, secretary, 1519 Guardian building, Cleveland.

### **Southern Ohio**

The meeting of the Southern Ohio chapter of the Institute held March 18th was devoted to preparations for the regional meeting of the Institute to be held May 23rd, and to consideration of the questions of coöperation with the special committee on public affairs of the American Institute of Accountants and the possibility of holding an income-tax institute.

## **BOARD OF EXAMINERS**

The May examinations of the American Institute of Accountants will be held on the 14th and 15th days of the month. Reports from state boards coöperating with the Institute indicate that there will be a large number of candidates for C. P. A. registration. The number of applications for admission to the Institute is larger than usual. Written and oral examinations are being arranged for several parts of the country.

The board of examiners recommended to the council at its meeting on April 13th the admission of fifteen members and sixteen associates. It recommended also the advancement of eight associates to full membership. The names of those recommended accompany this bulletin as it goes to the membership of the Institute. The applicants mentioned in the list having been favorably considered by the council will be admitted to membership unless protest is made by May 1st.

## **COMMITTEE ACTIVITIES**

### **Other Organizations**

The special committee appointed by the president of the American Institute of Accountants, pursuant to a resolution of the

council, to consider questions relative to the relationships which exist or may exist between the Institute and other societies of accountants, held a conference with a

similar committee of the American Society of Certified Public Accountants in New York, March 18, 1925. There were present, representing the Institute, J. B. Niven, president, Harold B. Atkins, F. H. Hurdman, J. E. Masters and Carl H. Nau; and representing the American Society of Certified Public Accountants, E. L. Pride, president, A. S. Banks, H. A. Dunn, J. S. M. Goodloe, F. W. Main and D. W. Springer. The joint committee adjourned to meet again at a later date and is not in a position to make any report at the present time. The following general statement of proceedings and deliberations is, however, submitted by President Niven for information.

The Institute representatives presented, as a basis of discussion, a memorandum which had been prepared by the committee, and Mr. Springer, on behalf of the Society, presented a statement reviewing the proceedings which had led up to the previous meeting of similar committees during the summer of 1924 and the proceedings of that meeting. He also presented two memoranda entitled "Statements of fact" and "Propositions" to assist in the deliberations.

Following is the text of the memorandum prepared by the Institute committee:

January, 1925.

**MEMORANDUM PREPARED BY A SPECIAL COMMITTEE OF THE AMERICAN INSTITUTE OF ACCOUNTANTS APPOINTED TO CONSIDER RELATIONSHIPS BETWEEN ACCOUNTING ORGANIZATIONS.**

The special committee, appointed by the president of the American Institute of Accountants pursuant to a resolution of the council to consider questions relative to the relationships which exist or may exist between the Institute and other societies of accountants, has given careful thought to the matters before it and believes that it would be well to prepare in brief a summary of what the committee conceives to be fundamental principles accompanied by some historical data.

There has been an unfortunate prevalence of misconception in regard to the aims and accomplishments of the Institute. It is not the purpose of this committee to analyze the reasons which may

be responsible for such misunderstandings. The committee believes that its function is a study of facts without special reference to erroneous opinions from whatever cause arising.

At the outset, the committee deems it desirable to direct attention to certain developments in accountancy with which the Institute has been concerned. In this category are included items which have been the most commonly misunderstood and not those vital and far-reaching activities of the Institute concerning which there is practically unanimous approval. For example, the committee does not consider it necessary to rehearse such accomplishments as the bureau of information, conducted in conjunction with the Institute's library, nor the bureau of public affairs. These and many other matters are not controversial. The subjects to which the committee believes that it should refer briefly are:

1. The relationship of the Institute to other organizations of accountants.
2. The Institute's attitude toward the certified public accountant certificate.
3. Coöperative efforts of the board of examiners of the Institute with state boards of accountancy.

**1.—THE RELATIONSHIP OF THE INSTITUTE TO OTHER ORGANIZATIONS OF ACCOUNTANTS.**

When the American Institute of Accountants was founded in 1916 it succeeded the American Association of Public Accountants which had become an organization consisting for the most part of members of state societies. Harmonious relations existed between the national organization and the state societies and the change of form of the national body was not due to any differences between it and state groups. The principal reason for the change was the fact that many state societies were largely inoperative and that requirements for admission to state societies were undesirably lacking in uniformity. Furthermore, there was the difficulty of enforcing a code of ethics or even elementary rules of conduct when membership in the national organization was in-

direct through local societies. Accordingly, the American Institute of Accountants was founded with the provisions that all membership should be direct and that all admissions after the original transfer of members from the American Association of Public Accountants should depend upon the passage of an examination conducted by the Institute itself and the satisfaction of preliminary requirements such as proper education, length of professional experience, personal reputation, etc.

In 1922 the Institute resolved that the board of examiners should be authorized in its discretion to extend recognition to the possessors of certain American and foreign professional qualifications such as certified public accountant certificates and membership in some of the British societies. The sentiment of the Institute toward other societies has always been cordial and the most amicable relationships now exist with the principal state societies and with many foreign bodies.

The Institute is the premier national organization of the profession, but there are many members, perhaps a majority, who feel that there may be room for societies and other organizations having no special professional requirements for admission, to embrace the number of accountants who have not yet reached the standard demanded by the Institute. If such an organization has been or may be at any time created, founded upon principles of benefit to the profession, animated by a desire to coöperate in all that makes for the progress of accountancy and in itself desirous to establish firm and friendly relationship with the Institute such an organization should be encouraged and assisted in every proper way.

Quite obviously the high standards of the Institute—and in passing it seems worthy of note that many members of the Institute are in favor of even higher standards for this body—preclude the possibility of admitting men and women whose experience, education or ability is not equal to the Institute's demands, and if there be a large body of such accountants the Institute would be the last to deny the need for another organization

in which the standards would be less exacting.

It has been suggested that the Institute lower its standards or, alternatively, that it provide for a larger body by the creation of additional classes of membership.

But the public does not differentiate and would not do so between the various classes of an organization. For example, it is unlikely that the average business man would draw any line between the associate and the member of the Institute. To the business man all who are associated with the Institute are on an equal footing. The effect of establishing any lower class of membership would therefore be to lower the public estimation of the significance of membership.

The present requirements for admission to associate membership are as a matter of fact quite liberal. Under the provisions of the constitution and the rules of the board of examiners any practising accountant who has had two years' professional experience, if he be a certified public accountant of a state having acceptable standards and has received such certificate as a result of examination, may be admitted to the Institute without further examination. If such an accountant be a member of a foreign society recognized by the board of examiners of the Institute and has obtained his membership by virtue of examination he also may be admitted to the Institute without further examination. The board of examiners exercises its discretion in each individual case, but no obstacle to the admission of desirable members is likely to be encountered. Furthermore, a man or woman possessing a certificate of graduation from a school of recognized standing, granting a collegiate degree, is given credit for having two years of public accounting experience. These provisions make it possible to admit to the associate class the great majority of men and women who are actually engaged in accounting but have not yet had five years' experience demanded in the case of members. It is important that the facility of admission to the Institute as an associate should be emphasized. The committee believes that many of the



present members have failed to grasp the extremely liberal provisions which in effect provide for the admission of every certified public accountant who has passed a proper examination and has been in practice long enough to demonstrate his ability.

This committee believes that there may be other organizations with constructive and definite programmes of real value which should be encouraged. There are, however, some organizations with which the Institute is entirely out of sympathy. For example, the so-called Institute of Chartered Accountants of California does not seem to this committee to be worthy of inclusion among organizations recognized by the Institute.

The National Association of Certified Public Accountants is another case in point; and here it may be well to give certain salient facts for information:

The National Association of Certified Public Accountants was incorporated in the District of Columbia June 6, 1921, and immediately became active in endeavoring to secure members to whom so-called C. P. A. certificates were issued. Matters had reached such a point at the beginning of September that on the second of that month the executive committee resolved that the committee on state legislation should be requested to make investigation and report with recommendations to the executive committee prior to the meeting of September 19, 1921. The committee on state legislation was authorized at the same time to consult with the Institute's counsel. The matter was accordingly referred to Cravath, Henderson, Leffingwell and deGersdorf, at that time counsel for the Institute. Upon receipt of opinion from this counsel it was resolved at a meeting of the executive committee on October 3rd that Judge J. Harry Covington should be asked to express an opinion as to the proper action to be taken.

Judge Covington wrote asking for evidence which could be used in prosecuting the National Association of Certified Public Accountants. The executive committee authorized the committee on state legislation to obtain such information,

to employ a detective, if necessary, and to supply the information to Judge Covington.

On December 1, 1921, the secretary of the New York State Society of Certified Public Accountants wrote to the Institute offering the assistance of the New York State Society in the Institute's efforts to prevent illegal issuance of C. P. A. certificates by the National Association of Certified Public Accountants.

Evidence was collected under the direction of the counsel for the Institute, J. Harry Covington, and a suit in equity was instituted by the United States of America, plaintiff, against the National Association of Certified Public Accountants, a corporation, defendant.

As an illustration of the activity of the Institute in the matter it may be mentioned that some of the evidence was obtained by an employee of the Institute as early as July 18, 1921.

The plaintiff in the case sought a preliminary injunction restraining the National Association from issuing C. P. A. certificates. A brief in the case was prepared by J. Harry Covington and presented to the United States attorney for the District of Columbia.

The injunction was granted by Justice Hoehling on June 12, 1922, and made permanent after appeal to the court of appeals of the District of Columbia July 18, 1922.

According to a statement issued on November 19, 1921, it appears that on November 15, 1921, two groups of accountants calling themselves the American Society of Certified Public Accountants and the Federation of Certified Public Accountants resolved to have a joint meeting at which an organization might be perfected. This organization meeting was held on December 12th at Chicago and the American Society of Certified Public Accountants was then organized.

## **2.—THE INSTITUTE'S ATTITUDE TOWARD THE CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE.**

In 1916, the year of the foundation of the Institute, the standards of the several states having certified public accountant laws were sadly at variance. There were states which seemed utterly lacking in a

sense of professional matters and certificates were issued by waiver or even by virtue of a perfunctory or not impartial examination. The whole certified public accountant structure was in danger of crumbling because of its many weaknesses. This truth was recognized by the Institute and as soon as the board of examiners had begun to function it was resolved to offer to state boards the use of the Institute's examinations under a plan of coöperation with which all members are familiar. As a result, within a few years the number of states coöperating passed far beyond a mere majority. Many of those states which have adopted the plan were originally the weakest in law or administration or both. By virtue of the coöperative plan these originally weak states have been placed in the forefront and their standards raised to the level of the best. There is no doubt that this assistance rendered by the Institute has been the means of saving the certified public accountant certificate from disrepute and disregard.

The Institute like its predecessor has always maintained a committee on state legislation which has been active and helpful in regard to new legislation and to amendments of existing laws. Most of the laws in the country are founded upon the model devised by the American Association of Public Accountants and subsequently approved in a slightly amended form by the American Institute of Accountants.

The campaign of misrepresentation conducted during the past year relative to the action of the Institute's officers in regard to the rules of the board of tax appeals was definitely laid to rest by the action of the Institute at its meeting of September, 1924, at which there was unanimous approval of what had been done. It may not be amiss, however, simply to say that in suggesting amendments to the rules of the board of tax appeals the Institute's officers were careful to avoid anything like adverse criticism and specifically endorsed the attitude of the board of tax appeals in extending recognition to all certified public accountants. The Institute's officers merely added that it seemed desirable

to include another clause providing that those members of the Institute who had not been certified should be admitted to practice upon proof of professional qualifications.

### 3.—COÖPERATIVE EFFORTS OF THE BOARD OF EXAMINERS OF THE INSTITUTE WITH STATE BOARDS OF ACCOUNTANCY.

The plan of coöperation to which reference already has been made is an offer to state boards of the use of the Institute's examinations with the services of its examiners in the grading of papers. The whole matter is entirely voluntary with the state boards and terminable at any time. The Institute specifically disclaims even a thought of interference with the sovereign prerogatives of state authorities. In effect the Institute says: "We have prepared what we believe to be a fair and just examination which we expect applicants for admission to the Institute to pass. We believe that this examination might appeal to your state board and if you care to have us supply questions for the use of your board we shall be glad to do so upon a basis of actual cost. We will grade the papers of your candidates and report to you the result of our investigations in a general way. We shall indicate merely the subject in which each candidate failed or passed. If you care to accept these grades as final, of course, that is entirely within your power, or if you desire to regrade the papers and notify your candidates of your own gradings that also is entirely within your province. If differences of opinion occur between your board and the board of the Institute such differences are not an obstacle to progress but are rather indicative of the complete independence of the participants in the plan of coöperation."

This committee has given consideration to various suggestions which have been made in regard to plans for increasing the number of classes of membership of the Institute so as to obviate any apparent need for another organization.

There is a great appeal in the suggestion that there should be one all-inclusive body and the committee has given much thought to the suggestion that there

should be a consolidation of all national accounting organizations. Alluring as this suggestion may be the committee regrets that it has been compelled to reach the conclusion that such fusion is not practicable and in many ways would not be desirable. The Institute is primarily an organization of selective membership. It cannot admit everyone who may happen to make application based upon qualifications not equivalent to its standards. There are, and for many years will be, large numbers of certified public accountants who are not in public practice and many of them have never even demonstrated their capacity for professional work by an examination. To admit men who are not professional accountants and have not given proof of their ability would be to render ineffective much that the Institute has done for the betterment of the profession.

Inasmuch as the Institute is organized to advance the profession rather than to promote the interests of any practitioner or group of practitioners, this committee is unanimously of the opinion that certain fundamental principles must be borne in mind:

1. There must be no lowering of standards for admission to the Institute. If any change be made it must be upward, not downward.
2. Enforcement of the code of ethics must be universal and members or associates who will not comply with the rules of conduct must be disciplined.
3. The Institute must not relinquish its interest in the strengthening of the position of the certified public accountant certificate. If in time it appears feasible to relinquish to any other agency any of the functions conducted by the Institute in its relations with state boards it may then be practicable to make some departure from the present conditions, but at all times the Institute must be vitally concerned with every legitimate professional designation of an accountant.

With these principles in mind the special committee is pleased to meet and

discuss with representatives of any other organization plans which may be effective in the establishment of cordial co-operation for the betterment of accountancy and the maintenance of high professional requirements.

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The conference lasted about three hours and the discussion resolved itself into a consideration of two main topics (1) the possibility, or otherwise, of an amalgamation of the two organizations, and (2) in the event of amalgamation appearing impossible, the determination of points of contact with a view to coöperative efforts.

Although the idea of one national society contained a strong appeal to the conferees, the unanimous opinion of the meeting seemed to be that amalgamation was impracticable. Each organization has a distinct field and it did not seem likely that the differing purposes could be reconciled.

It was recognized, however, that the objects of the two organizations are similar in many ways, making coöperation in some activities possible and desirable. A resolution was therefore passed that, as a result of all the suggestions presented, the presidents of the two organizations be appointed a committee of two to consider the points of possible contact and prepare suggestions intended to increase the efficiency of both organizations through coöperation.

### **Public Affairs**

Letter-bulletin 3 on credit frauds has been completed and is being printed. Copies will be sent within the next few days to members and associates together with a letter setting forth the plans of the committee for distribution of the letter-bulletin.

The publication of this letter-bulletin provides opportunities for practising public accountants to perform public service, by speaking on credit frauds, by arranging meetings and conferences to discuss this subject, and by publishing newspaper and magazine articles.

Members and associates who are willing to speak on credit frauds are asked to notify the committee promptly.

In addition to the distribution of this letter-bulletin which members and associates of the Institute will make, the com-

mittee on public affairs has arranged to send a copy of letter-bulletin 3 to each member of the National Association of Credit Men and of the Robert Morris Associates, together with a copy of the new geographical list of members and associates of the Institute which has just come from the press.

A further distribution will be made through chambers of commerce, trade organizations and the bankers and credit men of the country. Members and associates are asked to communicate with their local chambers of commerce relative to placing copies of letter-bulletin 3 in the hands of their members, and for use by committees. Members are asked also to make personal calls on the bankers of their home cities to call letter-bulletin 3 to their attention, in the belief that many bankers will be interested in having supplies of this publication for distribution to their clients.

At least one meeting should be arranged in every locality, in which members and associates of the Institute are practising, for distribution of the material presented in letter-bulletin 3. Material for public addresses and articles for use in local newspapers and in chamber of commerce and trade publications will be made available to members.

The first edition of 50,000 will be followed immediately by a second edition of like size or larger. Civic organizations will be supplied with copies free of charge. Profit-making organizations will be requested to pay the actual printing cost of copies supplied them.

Reports from members and associates during the month disclosed many outstanding public services. This phase of the work of the bureau of public affairs is growing rapidly and indicates that increasing numbers of members and associates are making public addresses on topics of current popular interest and on technical matters, that increasing numbers of articles are appearing in print over the signature of members and associates of the Institute, and that a larger part in the public affairs of their various communities is being taken by members and associates.

William P. Field, an Institute member of Havana, Cuba, has been elected president of the American chamber of com-

merce of Cuba. He was chosen for this office largely as the result of the important part he played in bringing about the ratification by the United States senate of the Isle of Pines treaty, although he has for many years been active in public affairs in Havana.

The *Havana Post* on March 14th quoted a cable sent to Havana by Cuban Ambassador Torriente in Washington, which gave Mr. Field credit for the work which he did relative to the Isle of Pines treaty. The *Havana Post* of March 26th announced Mr. Field's election to the presidency of the American chamber of commerce and devoted considerable space to the work which Mr. Field did in bringing to a successful conclusion the campaign for the approval of the Isle of Pines treaty. The *Havana Post* points out that Mr. Field had some opposition in his work with regard to the treaty, and the newspaper is inclined to regard his election as an approval of the treaty matter. The committee on public affairs believes that the public service performed by Mr. Field and the honors that have come to him will be beneficial to the profession of accountancy and to the Institute. Mr. Field, writing to the committee said:

"I appreciate very much what your committee is doing. \* \* \* Accountants should be leaders and as I have felt that you are doing the right thing to draw out members of the profession by your monthly reports I have, of course, taken your inquiries in good part and have tried to keep you posted as regards myself."

Many state societies of certified public accountants and chapters of the Institute have given favorable consideration to the proposal of the committee on public affairs that they coöperate with the committee in carrying out its programme to increase the public service performed by public accountants, and have given assurance that they will do so.

The question of coöperation is to be brought up for consideration by a number of other organizations.

R. J. Bennett, secretary of the Pennsylvania Institute of Certified Public Accountants, wrote to the committee as follows:

"I am instructed by the council (of the Pennsylvania Institute) to say that the work of your committee on public affairs is highly commended and fully appreciated by the Pennsylvania accountants,

and also that this institute will be very glad to coöperate with your committee in setting forth some dignified, suitable publicity in the commonwealth of Pennsylvania."

Suggestions from state societies and chapters as to possible methods of distributing copies of letter-bulletin 3 to business men in their territories, and for arranging meetings to discuss credit frauds and methods for their prevention, will be welcomed by this committee.

Following the transmission by this committee to the state societies of certified public accountants and chapters of the Institute of information concerning income-tax institutes and conferences held in Georgia and in Illinois, in which certified public accountants gave valuable information to bankers and to manufacturers, the District of Columbia Institute of Certified Public Accountants has adopted a similar programme and will arrange for such a conference in Washington late this year. State societies and chapters of the Institute which are considering conducting conferences of this nature include the Connecticut Society of Certified Public Accountants, the Pennsylvania Institute of Certified Public Accountants, the Rhode Island Society of Certified Public Accountants, the Tennessee Institute of Certified Public Accountants, the Massachusetts Society of Certified Public Accountants, the Alabama Society of Certified Public Accountants, and the Texas, Southern Ohio and Minnesota chapters of the American Institute.

In view of the announced intention of congress to consider amendments to the 1924 federal income-tax law, the committee has expressed the belief that the subject is one worthy of discussion later this year.

The cause of commercial arbitration has been materially advanced during the month and the committee has been in close touch with activities in several states.

## **STATE BOARDS OF ACCOUNTANCY**

### **Illinois**

As a result of the November, 1924, examinations the university of Illinois has issued C. P. A. certificates to the following persons: Maxwell Abbell; William Bernard Ackerman; Leslie George Agasim; Roy Wilfred Aikman; David Jackson Anderson; Matthew Harvey Barnes; William

The committee on public affairs has been following closely the Rhode Island effort to secure a commercial arbitration measure and has pointed out to members and associates of the Institute in that state that an opportunity is presented for them to perform a valuable public service by assisting in bringing about the enactment of a law in that state. The committee is also in touch with the situation in Massachusetts, California, West Virginia and Missouri.

C. V. Rowe, of San Francisco, chairman of the California sub-committee on arbitration, writes the committee that the California arbitration measure is being held up by the judiciary committee of the assembly of the California legislature. This committee refused once to report the bill out, but those advocating the measure are trying to secure a rehearing.

President John B. Niven and a representative of the bureau of public affairs attended a conference held at the home of Vincent Astor, New York, March 19th, which was attended by nearly 300 representatives of industries, railroads and trade organizations and by individuals who are aiding to bring about a more general use of commercial arbitration. The problem was discussed in its international, national, state and local phases.

In Indiana the legislature adjourned without taking action on the arbitration measure which was pending before it. The Indiana legislature will not meet again in regular session before 1927.

Nearly 1,000 pieces of publicity matter were sent out by the bureau of public affairs late in March and early in April announcing the semi-annual meeting of the council of the Institute, with the result that several hundred clippings have been reported to the bureau by the clipping bureau.

Howard Billington; Robert Alfred Bryant; Richard McCord Clark; Harvey Charles Daines; Orval W. Diehl; James Francis Duffy; Joseph Joyce Ehrlich; Clarence Webster Fackler; John William Garrett; William Wesley Gilkinson, Jr.; Jerome Fred Glasser; Willard J. Graham; Glen Lucius Hefner; H. Roy Joannes; Harry Joseph

Josephson; Philips Annis Klapman; Cletus Henry Lee; Samuel M. Lefstein; Sidney N. Levin; Alfred C. Luedeman; M. O. Marvin; Russell Howard Morrison; Joseph H. Mueller; Jacob Meyer Newberg; Harry Edward Oldham; Charles Osborn Passmore; Per Oscar Pearson; Orion Morgan Perrenot; Meyer Lipman Rosenberg; Hyman Albert Sayre; Lincoln George Schick; Michael John Schmaus; John Jerome Schuneman; Arthur Siefertman; Robert Albert Sigman; Henry Ezmond Smith; Frank Phillip Sniff; Philio Florsheim Stein; Howard Smith Thompson; Paul Edward Tillman; Oliver Otis Townend; Robert Manuel Vega; Raymond L. Ward; and Clarke I. Wilson.

## NEWS OF LOCAL SOCIETIES

### Georgia Society of Certified Public Accountants

At a meeting of the Georgia Society of Certified Public Accountants held March 28th the following resolutions relative to the death of Alonzo Richardson were adopted:

*Whereas*, the Georgia Society of Certified Public Accountants has for many years been honored in including in its membership the late Mr. Alonzo Richardson who departed this life on February 26, 1925, and

*Whereas*, in this death the Georgia Society has lost one of its leading and most useful members and in Mr. Richardson's death his colleagues are greatly saddened, and

*Whereas*, the prestige now enjoyed by the profession of accountancy not only in Georgia but throughout the United States, has been enhanced by having in the profession such an outstanding figure as the lamented Alonzo Richardson, who was known far and wide for his splendid honesty of purpose, for his keenness of mind, his generosity and his real ability in his profession and in his loss,

*Resolved*, that the Georgia Society of Certified Public Accountants has suffered a great loss in his passing and that it feels that in all of those elements that go to make a great accountant we shall not soon see his like again,

*It is further resolved*, that this memorial be inscribed upon the minutes of this society and that a copy be furnished the family of the deceased.

### Massachusetts Society of Certified Public Accountants

The Massachusetts Society of Certified Public Accountants will celebrate its twenty-fifth anniversary of its establishment on

### Kentucky

The state board of accountancy of Kentucky will hold C. P. A. examinations May 26, 27 and 28, 1925, at the capitol, Frankfort, Kentucky. Applications must be filed on or before May 4, 1925. Further information regarding these examinations may be obtained from B. Bernstein, treasurer, Inter-southern building, Louisville.

### Texas

The governor of Texas has appointed the following persons to the state board of public accountancy: V. B. Buron, J. J. Gannon, C. M. Grider, F. G. Rodger and L. B. Smith. At a meeting of the new board at Houston on March 30th the following officers were elected: L. B. Smith, chairman; C. M. Grider, secretary.

Monday, April 27th. Dinner will be served at the Hotel Somerset. Programmes will be available within the next few days. Full information may be obtained from Charles F. Rittenhouse, secretary, 89 State street, Boston.

### Minnesota Association of Public Accountants

At a meeting of the Minnesota Association of Public Accountants held March 20th final plans for organization were completed. A. F. Wagner, member of the Institute in Minneapolis, and J. F. Ebersole, agent of the federal reserve bank addressed the meeting. At the next meeting of the association the officers will be elected.

### North Carolina Association of Certified Public Accountants

At a luncheon meeting of the directors of the North Carolina Association of Certified Public Accountants held March 22nd at the Southern Manufacturers' club, plans were made for the state convention to be held May 15th to 17th.

### Tennessee Institute of Accountants

At a meeting of the Tennessee Institute of Accountants held March 5th the membership was increased to more than fifty. The Institute numbers in its membership accountants in all the principal sections of the state.

## STATE LEGISLATION

Since January 1, 1925, all state legislatures with the exception of Kentucky, Louisiana, Maryland, Mississippi and Virginia have met. In many states legislation relative to the practice of public accountancy has been under consideration. New laws or amendments have been passed and approved in North Carolina, North Dakota, Iowa and Tennessee.

The Phelps-Downing bill introduced in New York, which was printed in the bulletin of March 16th, died in committee of the senate. The Indiana bill was defeated. Other measures having a bearing upon the practice of accountancy are still under consideration in several states.

The following state legislatures have adjourned: Arizona, Arkansas, Idaho, Indiana, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Texas, Utah, Vermont and Washington.

### **Iowa**

Two bills introduced in the legislature in Iowa for amendment of the C. P. A. law were enacted. One provides that examinations shall be held annually instead of biennially. The other corrects an omission in the original act by specifying the date when appointments to the board shall be made.

### **North Carolina**

The new certified public accountant law of North Carolina was signed by the governor on March 10th. The most noteworthy provisions of the act are the following:

SECTION 1. The term "practice of public accounting" as used in this act is defined as follows:

A person engages in the practice of public accounting within the meaning and intent of this act who holds himself out to the public as a certified public accountant, or public accountant, and as such offers to the public to engage in the occupation or practice of public accounting.

Provided, however, that nothing in this act shall be construed to prohibit any person, firm or corporation from performing accounting service or any similar service who does not hold himself out to be a certified public accountant or public accountant, or represent

that such service is performed as a certified public accountant or a public accountant.

SECTION 6. It shall be unlawful for any person, firm, co-partnership or association to engage in the practice of public accounting in the state of North Carolina unless such person, or each of the members of such firm, co-partnership or association first shall have received from the state board of accountancy a certificate of qualification admitting him to practice as a certified public accountant. It shall be unlawful for any corporation to engage in the practice of public accounting in the state of North Carolina; provided, however that nothing herein contained shall be construed to prohibit the practicing of the profession of public accounting by any person, firm, co-partnership, association, or corporation who shall at the time of the passage of this act be engaged in the practice of public accounting and maintaining an office as a public accountant in the state of North Carolina, or an accountant who has served two years or more as a civil service employee of the federal government in the capacity of senior field auditor.

SECTION 7. Any person, firm, co-partnership, association or corporation who shall at the time of the passage of this act be engaged in the practice of public accounting and maintaining an office as a public accountant in the state of North Carolina, may, within six months after the passage of this act, apply to the state board of accountancy for registration as a public accountant, and the state board of accountancy, upon the production of satisfactory evidence that such applicant was engaged in the practice of public accounting and maintaining an office as a public accountant in the state of North Carolina at the time of the passage of this act, shall register such person, firm, co-partnership, association or corporation. Such registration shall be conclusive evidence of the right of such person, firm, co-partnership, association or corporation to engage in the practice of public accounting in the state of North Carolina, but such registration shall not be construed in any way as indicating that the state of North Carolina or the state board of accountancy has approved the education and professional experience qualifications of the registrant.

SECTION 8. It shall be unlawful for any person, firm, co-partnership, association or corporation, not having qualified under this act, to assume or use the style or title of public accountant, or other means of identification to indicate that such person, firm, co-partnership, or association or corporation is engaged in the practice of public accounting in the state of North Carolina: provided, however, that the inhibitions of this section shall not be construed to apply to any person, firm, co-partnership, association or corporation who at the time of the passage of this act was engaged in the practice of public accounting

and maintaining an office as a public accountant in the state of North Carolina.

**SECTION 9.** Nothing contained in this act shall be construed to prohibit the employment by a certified public accountant, or by any person, firm, co-partnership, association or corporation, permitted to engage in the practice of public accounting in the state of North Carolina, of persons, who have not received certificates of qualification admitting them to practice as certified public accountants, as assistant accountants or clerks, provided that such employees work under the control and supervision of certified public accountants or public accountants, and do not certify to any one the accuracy or verification of audits or statements and provided further that such employees do not hold themselves out as engaged in the practice of public accountants.

**SECTION 10.** A public accountant who holds a valid and unrevoked certificate as a certified public accountant, or its equivalent, issued under authority of any state, or the District of Columbia, and who resides without the state of North Carolina may perform work within the state, provided that he register with the state board of accountancy and comply with its rules regarding such registration.

**SECTION 11 (4)** to hold written or oral examinations of applicants for certificates of qualification at least once a year, or oftener, as may be deemed necessary by the board.

(5) To issue certificates of qualification admitting to practice as certified public accountants to each applicant, who, being the graduate of an accredited high school or having an equivalent education, shall have had at least two years experience or its equivalent next preceding the date of his application on the field staff of a certified public accountant or public accountant one of which shall have been as a senior or accountant in charge, and who shall receive the endorsement of three certified public accountants of any state as to his eligibility to become a certified public accountant; or who, in lieu of the two years experience or its equivalent above mentioned, shall have had one year's experience after graduating from a recognized school of accountancy; or an accountant who has served two years or more as a civil service employee of the federal government in the capacity of senior field auditor, and who shall have passed a satisfactory examination in "theory of accounts," "practical accounting," "auditing," "commercial law" and other related subjects.

(8) To require the renewal of all certificates of qualification annually on the first day of July, and to charge and collect a fee not to exceed five dollars for such renewal.

10) Within sixty days after the passage of this act, the board shall formulate rules for the registration of those persons, firms, co-partnerships, associations or corporations who, not being holders of valid and unrevoked certificates as certified public accountants issued under the provisions of chapter one hundred

and fifty-seven of the public laws of one thousand nine hundred and thirteen, and who, having at the time of the passage of this act, been engaged in the practice of public accounting and maintaining an office as a public accountant in the state of North Carolina, shall, under the provisions of section seven of this act, apply to the board for registration as public accountants. The board shall maintain a register of all persons, firms, co-partnerships, associations or corporations who have made application for such registration and have complied with the rules or registration adopted by the board.

### **North Dakota**

The governor of North Dakota approved March 7, 1925, a new act regulating the practice of public accounting. The noteworthy features of the act are contained in the following sections:

**SECTION 8.** Any citizen of the United States, or one who in good faith has declared his intention of becoming such citizen (in which case he may become a citizen within one year after the time allowed by law or the certificate shall be revoked by the board), being a bona fide citizen of North Dakota, over the age of twenty-one years, of good moral character, a graduate of a high school of recognized standing with a four year course, or possessing an education fully equivalent thereto, who has had at least three years accounting experience, two of which shall have been in public practice on his own account or in the office of a certified public accountant in active practice, or who has completed a course of not less than two years in accountancy in some state institution or some other school of recognized standing, and has passed a satisfactory examination (unless otherwise exempt from such examination as herein provided), shall receive a certificate of his qualifications to practice as a certified public accountant. And it shall be unlawful for any person or partnership, all of the members of which have not received such a certificate, or a corporation to assume such title or the abbreviations, C. P. A., C. A., or any other words, letters or abbreviations, tending to indicate that the person, firm or corporation so using the name is a certified public accountant without first having received said certificate. All certificates to practice as a certified accountant in North Dakota heretofore issued and in force and effect under the existing laws of this state shall remain in full force unless revoked in manner by this act provided.

**SECTION 9.** The board may, in its discretion, upon application in writing, waive the examination of and issue a certificate to any non-resident certified public accountant, who has the qualifications other than residence in North Dakota required by this act and the rules of the board, provided that such person shall submit to the board such evidence as to quali-



fications as may be required by and be satisfactory to the board, who for not less than three years has had the degree of certified public accountant issued by or under the authority of another state, provided that the standards prescribed by law and the rules of the board are, in the opinion of the board, fully equivalent to the standards maintained in this state. If, for any reason, the certificates of original issue be revoked or cancelled the board of accountancy of this state shall forthwith revoke and cancel the certificate issued to such person in accordance with this section.

SECTION 14. (b) Any person representing himself or herself to the public as having received a certificate as a certified public accountant, as provided in this act, or who shall assume to practice as a certified public accountant, without first having received such certificate, or if any person having received such certificate, shall hereafter lose the same by revocation, as provided for in this act, and shall continue to practice as a certified public accountant, or use such title or any other title mentioned in section eight (8) of this act, or if any person shall violate any of the provisions of this act, such persons shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than fifty dollars (\$50) and not exceeding three hundred dollars (\$300) or by imprisonment for a period of not to exceed ninety days, or by both, such fine and imprisonment in the discretion of the court.

### **Tennessee**

The legislature of Tennessee passed and the governor approved on March 26th a bill regulating the profession of accountancy. The following extracts from the act are of interest:

SECTION 1. Be it enacted by the general assembly of the state of Tennessee that there is hereby established a state board of accountancy to consist of seven members to be appointed by the governor, within sixty days after the passage of this act, as follows: Two public accountants from west Tennessee for terms of one and two years respectively; two public accountants from middle Tennessee for terms of two and three years respectively; two public accountants from east Tennessee for terms of one and three years respectively; and a reputable practicing attorney, who is not also a public accountant, to be appointed from the state at large for a term of three years.

All members of the board shall be citizens and residents of this state and each accountant who is appointed shall have been actively engaged in practice, either on his own account, or as a senior accountant upon the staff of a reputable practicing accountant for at least five years next preceding his appointment. The attorney serving on the board shall be qualified to practise before the highest courts in this state.

SECTION 3. Be it further enacted, that examinations of persons applying for certificates under this act shall be held in Nashville, or elsewhere within the state as the board may elect, at least twice each year or oftener, at the discretion of the board. The subjects in which applicants shall be examined are: (1) theory of accounts; (2) practical accounting; (3) auditing, and (4) commercial law, as affecting accountancy.

No person shall be permitted to take such examination unless he shall have been practising continuously on his own account as a public accountant for at least one year; or shall have been continuously employed in the office of a public accountant as an assistant for at least two years; or shall have been continuously employed as chief or head book-keeper for at least three years; or shall present an academic diploma or other equally satisfactory evidence in such manner as required by the board, proving that he has successfully completed a course of studies and instructions in any state or county which is the equivalent to the requirements for graduating from the highest grade of high schools in this state.

SECTION 4. (a) Be it further enacted, that the board shall waive the examination of any person possessing the qualifications stated in section 2 of this act who (1) is the holder of a C. P. A. certificate issued under the laws of another state which extends similar privileges to certified public accountants of this state; provided, the requirements of said certificate in the said state are, in the opinion of the board, equivalent to the requirements in this state; (2) is the holder of a certificate of certified public accountant, or chartered accountant, or the equivalent thereof, issued under the laws of any foreign government; provided, the requirements for said certificates are, in the opinion of the board, equivalent to the requirements of this state; (3) has, for at least five years next preceding the date of his application, been practicing as a public accountant, either maintaining an office, or serving as an accountant upon the staff of a reputable practicing public accountant four years of said five years service to have been as a senior account, the last twelve months of which practice shall have been in this state, and who shall apply in writing to the board within three months after April 1, 1925. All persons qualifying under clauses one, two and three of this section shall receive certificates as certified public accountants. Provided that nothing herein contained shall be construed as invalidating any certificate issued under prior laws in this state.

For the purposes of this act a senior accountant is defined as one who is regularly placed in charge of accounting engagements.

(b) The board shall issue to all accountants of good moral character, who were engaged in public practice on January first, 1925, and who do not qualify under the provisions of subdivision (A) of this section, a certificate of authority to practice as a public accountant. This certificate of authority shall not confer any

added title and the holder shall be known and styled only as a public accountant. Applications must be made for this certificate of authority before January first, 1926.

SECTION 5. Be it further enacted, that the board may revoke any certificate issued under this act if the holder thereof (1) shall be convicted of a felony, or (2) shall be declared by any court of competent jurisdiction to have committed any fraud, or (3) shall be declared by any court or commission to be insane or otherwise incompetent, or (4) shall be held by the board to be guilty of any act or default discreditable to the profession, or (5) in case the certificate shall have been issued to the holder thereof on account of his holding a C. P. A. or C. A., certificate from another state or country which has, after the issue of this certificate from this board in any way depreciate the standard or equivalent of its privileges or requirements in accordance with the provisions of this act provided, that written notice of the cause of such contemplated action and the date of the hearing thereon by the board shall have been mailed to the holder of such certificate at his last known address at least thirty days prior to such hearing. At all such hearings the attorney-general of this state, or one of his assistants designated by him, may sit with the board as legal counselor and advisor of the board, and to prepare for any legal action that may be determined upon by the members of the board.

SECTION 7. Be it further enacted, that the board shall in December of each year require every certified public accountant and every public accountant who holds a certificate of authority, to register with the board and pay a license fee of five (\$5.00) dollars for the privilege of practicing public accounting in this state for the calendar year next following. This license shall be issued only to certified public accountants and public accountants qualifying under this or prior acts in this state.

If any person, firm or corporation shall, after January first 1926, undertake to practice public accounting in this state without first having registered with the board and received a license to practice, or if any person, firm or corporation represents himself or itself to the public as having received a certificate as pro-

vided for in this act, or falsely holds himself out as having qualified and having a certificate without actually having said certificate from the state board of accountancy, or if, having received such a certificate, he shall continue to practice accountancy after said certificate has been revoked, or if any person shall otherwise violate any of the provisions of the act, he shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be fined not less than one hundred dollars (\$100.00) nor more than five hundred (\$500.00) dollars, or imprisonment for not less than one month nor more than six months, or both, in the discretion of the court.

For the purposes of this section a person engages in the practice of public accounting when he performs accounting work as distinguished from book-keeping on a fee basis, per diem or otherwise, for more than one employer. In passing upon this question the board will consider specific acts as well as general business conduct.

Nothing contained herein shall be considered as prohibiting accountants of other states from entering this state in pursuance of any engagement originating from without this state, provided that such accountant registers with the board, giving all facts relevant to such engagement and limits his practice to the subjects covered in the declaration filed.

SECTION 8. Be it further enacted, that certified public accountants and public accountants practicing in this state shall not be required to divulge, nor shall they voluntarily divulge any information which they may have received by reason of the confidential nature of their employment.

The information derived from or as the result of such professional service shall be deemed confidential provided, however, that nothing in this paragraph shall be taken or construed as modifying, changing or affecting the criminal or bankruptcy laws of this state or of the United States.

SECTION 9. Be it further enacted, that nothing herein contained shall be construed so as to prevent any person from being employed by a public accountant or by a certified public accountant within this state, provided such employed person does not sign reports nor assume any responsibility for the conduct of his employer's business.

## **U. S. BOARD OF TAX APPEALS**

The president of the United States has appointed four additional members to the United States board of tax appeals. The new members are William R. Green, Iowa; Percy W. Phillips, New York; Logan Morris, Utah; William D. Love, Texas.

Charles D. Hamel, formerly chairman of the board has resigned and J. Gilmer Korner has been appointed in his stead.

The personnel of the board at present, as announced on April 7th, is as follows:

J. Gilmer Korner, chairman.

Division 1—James S. Y. Ivins, chief; John J. Marquette, Logan Morris.

Division 2—Albert E. James, chief; Benjamin H. Littleton, Charles P. Smith, Sumner L. Trussell.

Division 3—Adolphus E. Graupner, chief; W. C. Lansdon, W. R. Green, Jr.

Division 4—John M. Sternhagen, chief; Charles M. Trammell, Tracy W. Phillips, William D. Love.

The court of appeals of the District of Columbia has rendered a decision in the case of H. Ely Goldsmith, certified public accountant, New York, appellant, against United States board of tax appeals, appellee. Following is the text of the decision:

This is an appeal from a judgment in the supreme court of the District of Columbia dismissing appellant's petition for a writ of mandamus to compel the board of tax appeals to enroll him as an attorney.

This case was disposed of on the demurrer of the appellee to appellant's reply to its answer to his petition. Since appellant challenges the authority of the appellee, hereinafter called the board, "to make rules limiting taxpayers in the choice of their agents for the transaction of taxpayers' business" before the board, that question will be determined first.

The board was created by section 900 of the act of June 2, 1924, (43 Stat. 253, 336). The permanent board is composed of seven members, appointed by the president and confirmed by the senate. No member of the board "shall be permitted to practice before the board or any official of the bureau of internal revenue for a period of two years after leaving office." It shall at least biennially designate a member to act as chairman, and shall have a seal "which shall be judicially noticed." It is made the duty of the board and its divisions to "hear and determine appeals filed under sections 274, 279, 308, and 312," and in any proceeding in court under those sections and in any suit or proceeding by a taxpayer to recover any amounts paid in pursuance of a decision of the board, "the findings of the board shall be prima facie evidence of the facts therein stated." Notice and opportunity to be heard shall be given the taxpayer. "*The proceedings of the board and its divisions shall be conducted in accordance with such rules of evidence and procedure as the board may prescribe.*" (Italics ours). Authority is conferred upon the board and each member of it to administer oaths, examine witnesses, and require, by subpoena ordered by the board, the attendance and testimony of witnesses, etc.

Consideration of this act as a whole convinces us that it was intended by congress to confer upon the board quasi judicial powers, and that hearings before it were intended to be and are of a quasi judicial character. The provision expressly authorizing the board to promulgate rules of evidence and procedure is general and comprehensive and, construed in the light of the context, must be held to authorize the board to make and enforce reasonable rules for the admission of persons to appear before it as agents or attorneys. The recognition by congress that agents or attorneys would appear before this board, as before other quasi judicial tribunals, is apparent from the provision prohibiting a retiring member of the board from practicing "before the board or any official of the

bureau of internal revenue for a period of two years after leaving office."

In *Manning vs. Franch*, 149 Mass. 391, the court construed the act of June 23, 1874, creating the Alabama claims commission and empowering it to make rules for regulating the forms and mode of procedure before it, as a grant of power to make rules for the admission of persons to prosecute claims before the commission. The language of that statute was no more comprehensive than that before us and the reasoning and conclusion of the court are opposite here.

But appellant contends that, even assuming the power of the board to prescribe rules governing practice before it, its decision in his case was so arbitrary and capricious as to require the court to set it aside and peremptorily direct his recognition as an agent and attorney. It is hardly necessary to cite authorities to the effect that the writ of mandamus cannot be made to perform the office of an appeal or writ of error, but see *Moore vs. U. S. ex rel Lindmark*, 33 App., D. C. 597; *Moore vs. Heaney*, 34 App., D. C., 31; *U. S. ex rel McKenzie vs. Fisher*, 39 App., D. C., 7; *U. S. ex rel Hall vs. Lane*, 48 App., L. C., 279, and *Briggs vs. Commissioner of Patents*, 48 App., D. C., 175.

The real question, therefore, is whether there has been an abuse of discretion, or an arbitrary exercise of discretion, by the board. The facts developed by the pleadings are substantially as follows: Under rule 2 of the published rules of the board, a register of persons entitled to practice before it is provided and the qualifications of applicants for admission are stated, the board reserving authority, in its discretion, to deny admission, suspend or disbar any person. Appellant duly filed his petition, upon a blank furnished by the board, seeking enrollment as a person entitled to practice before it. His petition was referred to a committee and notice sent him to this effect and advising that he would be further notified if the committee desired his presence. To this he does not appear to have responded. He was then notified that his application "for authority to practice before the board of tax appeals" had been "received, considered and denied." Without requesting a further hearing, appellant then filed his petition herein, upon which a rule to show cause issued. An answer thereto was filed, from which it appears that the unanimous decision of the board denying appellant's application was "based upon the judgment and determination that the petitioner (appellant) is lacking in integrity, is of bad character and reputation, is untrustworthy, and is unworthy of the confidence necessarily imposed by any judicial, quasi-judicial, or administrative body of the government in practitioners appearing before it to represent taxpayers or clients"; that in reaching this decision the board considered the following: That appellant had been discharged from a position in the comptroller's office of the state of New York for alleged violation of the duties of his position, and that mandamus proceedings to compel his reinstatement had been decided against him by all the courts of that state; that on March 14, 1921, he had filed with the secretary of the treasury of the United States an application for enrollment as an accountant or

agent to represent others before the treasury department; that charges were preferred against him by the commissioner of internal revenue; that, after an extended hearing before the committee on enrollment and disbarment of the department, (in which appellant appeared, cross-examined witnesses and testified), his application was rejected upon the ground that he was not a person qualified to represent others before the department. A copy of the material portions of the record in that proceeding was attached to and made a part of the return herein. Appellant contented himself with excepting "to the consideration of this matter by the respondent (board) on the ground that it was at best heresay evidence."

In view of the fact that appellant participated in that hearing and was a witness there, we are of the opinion that board properly considered that record, along with other evidence, in reaching its

conclusion. It is significant that appellant does not challenge any of the testimony in that proceeding. We shall not attempt to analyze the evidence further, since it was of such a character as, in our view, fully to justify the conclusion reached by the board. As we said in *Phillips vs. Ballinger*, 37 Appl., L. C., 46, 50, the right to appear before one of the departments of the government is not an inherent right, "but a privilege granted by law and subject to such limitations and conditions as are necessary for the protection of both the department and the public."

Since it was no abuse of discretion by the board, it results that the judgment must be affirmed, with costs.

*Affirmed*

(Signed) CHAS. H. ROBB,  
Associate Justice.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### Federal

In a decision handed down by the federal circuit court of appeals for the eighth circuit, December 5, 1924, in the case of *Horigan Realty Company vs. Cook*, which was argued before Judges Stone, Kenyon and Kennedy, it was held that in order to claim funds in the hands of a trustee, it is not enough to show that funds went into the bankrupt business, but they must be traced directly into money or property coming into trustee's hands. Evidence that funds of one corporation were used in the business of another corporation having the same officers was held insufficient, on the bankruptcy of the latter, to charge funds in the trustee's hands with a trust for the benefit of the other company.

In a decision handed down in the United States district court for the eastern district of New York in March, 1924, in the case of *Potter vs. Walker*, Judge Campbell holds that Gen. St. Conn., 1918, sec. 4749, providing that the sale of all or a large part of the stock in trade of a retail business shall be void as against creditors unless notice of the intended sale shall previously be filed and recorded in the office of the town clerk, is not applicable to a sale made by a retail dealer, not from the stock in his store, but of other merchandise bought in large quantities as a wholesale dealer. In the same case it was held that the sale of new merchandise, purchased and owned by a bankrupt corporation which was largely indebted by its president at a place

other than its place of business and not in the usual course of business for from 60 to 65% of its wholesale value is fraudulent and voidable by the trustee in bankruptcy of the corporation under bankruptcy act, sec. 67e (Comp. St. sec. 9651). In the same case it was held that in a suit by the trustee of a corporation under bankruptcy act, sec. 7e (Comp. St. sec. 9651), to recover the value of property sold in fraud of creditors to a purchaser chargeable with notice of the fraud, where the sale was made by the president of the corporation individually, and there was no evidence that bankrupt received the proceeds, the purchaser cannot claim credit for the amount paid, but is liable for the full value.

In a decision handed down by the federal circuit court of appeals, first circuit, December 22, 1924, in the case of *Ragan vs. Forbes*, which was argued before Judges Bingham, Johnson and Anderson, it was held that an objection to the sale of bankrupt's assets by a secured creditor on the ground of a lien by collateral, without making claim against the estate, was not proof of claim required to be filed within a year of adjudication, and there was, therefore, nothing which could be amended by substituting therefor formal claim for leave to participate as a general creditor for the excess of the claim over the value of the securities.

### Oklahoma

The supreme court of Oklahoma on March 17th denied an application for a

rehearing and thereby affirmed the opinion theretofore rendered holding the Oklahoma C. P. A. act unconstitutional in so far as it attempts to restrict the public practice of accountancy to the holders of C. P. A. certificates. The case in which this decision was rendered was *State vs. Riedell*.

### **Pennsylvania**

In a decision by the United States district court for the eastern district of Pennsylvania, October 20, 1924, in the case of the *United States vs. Yusem*, the court held that in a prosecution for using the mails to

defraud by sending out to dealers false statements of the financial condition of a partnership in which defendant was the active member for the purpose of obtaining goods on credit, evidence that the firm was adjudged bankrupt within two or three months after the making of such statements showing a large surplus of assets is admissible on the issue of fraudulent intent. In the same case it was held that the acquittal of one of two partners charged with using the mails to defraud did not require the acquittal of the other as under a charge of conspiracy.

## **SPEECH REVIEWS**

The following summaries of addresses delivered and articles written by accountants are prepared from copies supplied to the Institute. Readers of the *Bulletin* who have recently spoken before groups of business men or other organizations or have written articles for publication are invited to supply copies of their speeches and writings so that summaries of them may be given in this publication.

### **ALBERT T. BACON—"CORPORATE REORGANIZATIONS AS AFFECTED BY THE 1924 REVENUE ACT."**

A paper presented at the fifth annual tax congress conducted by the Illinois Manufacturers' Costs Association, Chicago, February 26, 1925.

Mr. Bacon pointed out that before the days of the federal income-tax laws the chief factors which it seemed necessary to consider upon the organization or reorganization of a corporation had to do with business expediency and compliance with the corporation laws. Since the advent of the federal income tax, however, it has become important to consider the effect that various methods of reorganization may have in respect to income taxes to be paid in the future, as well as the possibility of an income-tax liability resulting from the reorganization itself, a tax which might be imposed either upon the corporation or upon its individual stockholders. Failure to observe these factors has cost some corporations dearly. The speaker pointed out as some of the most important changes under the 1924 act those which have to do with the writing up or appreciating of fixed assets to accord with appraisal values when reorganizing a company and the basing of depreciation deductions in the years that follow upon those appreciated values. Under the 1921 act it was possible for a company to reorganize, set up fair appraisal values of all its fixed assets, distribute additional stock equal to the increased values due to this appreciation, and depreciate these fixed assets on the basis

of the appraised values. Through reorganizations of this character it was possible to defer an otherwise taxable gain resulting from the transfer of properties, and many concerns lost no time in taking advantage of this apparent loophole in the law. The treasury department met the situation in the 1924 revenue act in section 204-a, subdivisions 7 and 8, which were described by Mr. Bacon as more involved, and more difficult of interpretation than any other paragraphs of this or any previous revenue act. No rulings have been issued by the treasury department on the subject and taxpayers are left very much to their own resources in trying to determine the intention of congress. The speaker expressed the belief that as a general rule in the case of a reorganization when property is acquired by a corporation, or a taxpayer transfers assets to a corporation in such a manner that no taxable gain or deductible loss is recognized, the basis, both for purposes for determining profit or loss on future sales of the subject property and as a basis for computing depreciation on the property in the hands of the new corporation, should be the same as it would have been to the transferor or previous owner. This applies to all property acquired after December 31, 1917, in the case of an already existing corporation which transfers its assets to another corporation, and to all property acquired after December 31, 1920, in the case of an individual or partnership transferring its assets to a corporation. It is still to be determined whether the government will attempt to apply the law retroactively in respect to depreciation deductions claimed by corporations during the years prior to 1924.

### **EDWARD E. GORE—"WHAT TO EXPECT IN BUSINESS"**

Address delivered February 18, 1925 before the Midland Confectioners Association.

Mr. Gore stated that in his opinion there is every reason to expect a period of good business. He referred to the purchasing power of the farmer as a factor which must not be ignored. He pointed out that unless the far-

mer is able to buy, the country will not have good times. He stated that the farmers are going back into a buying frame of mind. He said that this nation as an exporting country is to a large degree still in its infancy. The speaker raised the question as to whether each manufacturer is so operating his business as to make a profit possible. The business most likely to succeed, he said, is the one that knows all about its own operations, the cost of production, the expenses of selling and administration and other charges. He stated that one of the most useful things that an association of this kind can do is to have its members get on the same basis of calculation. There should be adopted, he said, a division of charges, titles for accounts with a complete understanding of what is to go into these accounts, and then a comparison of the products of the various members, so that the association can learn what is normal in the industry. Such information leads to a change from a losing or an unsatisfactory business into a profitable one. The speaker referred to varying discounts as a factor which very frequently will disorganize an industry. The giving of special discounts frequently leads to losing transactions. Over-indulgence in freight prepayment is another practice which the speaker described as very easy to get into and very difficult to escape. He made the statement that there is no reason in this country why the buyer of goods should not pay the freight. The theory is that the consumer is going to have to pay the freight eventually and might just as well start when the goods are shipped from the manufacturer. The adoption of statements of budgetary control and of closer comparisons of management were advocated as other means of making sure of good times for specific businesses and business as a whole.

**JOHN A. STOLP—"PRACTICE BEFORE THE UNITED STATES BOARD OF TAX APPEALS"**

Address delivered before the Fifth Annual Tax Congress of the Illinois Manufacturers' Costs Association, Chicago, Illinois, February 26, 1925.

Mr. Stolp referred to the provisions of the federal tax law which gave the collector of internal revenue the right to determine the tax and the power to collect it. He said that figuratively speaking the government practically dares the taxpayer to try to recover a tax through a prolonged court action. He stated that many taxpayers who have been assessed additional taxes have the feeling that the internal revenue department is plaintiff, judge, jury and lord high executioner combined. American ideas of justice prevent such an intolerable situation from continuing. Dissatisfaction forced congress to give relief by creating the board of tax appeals charged with the duty of giving the taxpayer an open and neutral consideration of his liability for a tax deficiency before he was required to pay such deficiency. Congress sought to mitigate the

harsh rule of payment first and litigation afterward. Mr. Stolp described the organization of the board. He pointed out that the board has no jurisdiction of an appeal based upon the denial by the commissioner of a claim for refund of taxes paid prior to the passage of the revenue act of 1924. The board likewise has no jurisdiction of an appeal based upon the denial by the commissioner of a claim for credit of taxes paid prior to the passage of the revenue act of 1924, when there has been no determination that any assessment should be made. Mr. Stolp pointed out to business men that every communication received from the internal revenue department should have pasted on its reverse side the envelope which carried the communication so as to show the date of mailing. It is from this date that the sixty-day period is figured during which an appeal may be filed. Mr. Stolp stated that more than 6,000 appeals had been docketed up to January 27, 1925, and that 130 published decisions had been made up to that time. In these 130 decisions the commissioner was sustained in 58 appeals the taxpayer was sustained in 30; the commissioner was sustained in part and the taxpayer sustained in part in 23, and there were 19 appeals that were dismissed for lack of jurisdiction, or other cause. Mr. Stolp pointed out that, eliminating the 19 cases that were dismissed, there were decisions on 111 appeals of which the commissioner won 52%, the taxpayer won 27%, and both the commissioner and the taxpayer won in part 21%.

**URBAN F. VON ROSEN—"BUSINESS METHODS FOR CLUB WOMEN"**

Address delivered before the Lakewood Council of Parent-Teacher Associations, February 17, 1925.

The speaker stated that accurate and complete records are an essential part of sound business methods. Knowledge of what has been done has always been a starting point and a guide for future achievement. The principles of successful business, the speaker stated, are first to plan one's course before acting, then to carry the plans into effect as nearly as that may be possible, and finally to record the actual results completely and truthfully. He discussed the advantages of loose-leaf, card or solid-bound records. He gave it as his opinion that each member of an organization or of several organizations should keep at least two records in order to render the good service that is desired. The speaker urged his hearers to keep an appointment book and a note-book. This would enable the workers to plan their time, which is, he stated, as important as the planning of one's finances. Speaking of the records that officers of a typical parent-teachers' association keep, Mr. von Rosen gave it as his belief that each association should maintain six records—a minute book, a membership record, a cashbook, a cheque book, a receipt book, and a file for

vouchers. He discussed the reasons for the uses of each of these records. He advanced a point which he stated was fundamental, namely, that anyone who is entrusted with any money, no matter how small a sum, should consider it a personal responsibility, not only to handle that money wisely and honestly, but to keep records in such a way that they will prove absolutely to anyone who may care to examine them that such is the case. He advocated depositing in the bank all money received and making all payments possible by cheque.

**WILLIAM B. CASTENHOLZ—"WHY A BANK'S DIRECTORS ARE ITS REAL ADMINISTRATORS"**

Article in *The Bankers Monthly*, December, 1924.

Mr. Castenholz directs attention to the fact that the courts are quite generally holding that the banker's responsibility virtually amounts to a trusteeship which in a measure explains the double load imposed upon national and some state bank stockholders. He calls attention to the fact that the real administration of a bank's affairs is in the hands of the directors and not the officers as such even though the officers are generally directors also. Besides meeting all the requirements of law, the directors must preserve intact the deposits and use these funds safely and profitably. Proper organization and good management are required to do these things effectively. Mr. Castenholz devotes some space to the question of internal organization which employs the proper distribution of functions and the fixing of responsibilities and the installation of safeguards against internal fraud. The safeguards as he describes them are largely of an accounting character. It is good accounting procedure for instance, he points out, to have account-keeping entirely separate from those who are the custodians of cash. This makes it quite essential that those employees who handle cash have no access to the regular books of account. In addition, some banks in order to prevent collusion between the men in the cages and the bookkeepers, shift the bookkeepers from one set of customers' accounts to another quite frequently. The writer discusses also the directors' responsibilities in granting loans. He points out that the soundness of a banking institution is dependent upon the soundness of its loans. Directors are clearly defining policies with regard to making loans and should limit the officers who pass upon loans by requiring that those in excess of certain amounts be always submitted to the directors before the grants are made. In many banks, different officers are charged with the duty of looking after the accounts and loans of a particular business group thus becoming familiar with the routines of these different lines of business. The requirement of financial statements vouched for by certified public ac-

countants at least once a year from borrowers was advocated. Mr. Castenholz goes into detail as to the information which he believes should be included in such statements. He advocates a complete accountant's report which may discuss operating ratios and show information about the receivables which will indicate whether they are in accord with sales terms and annual or seasonal sales. Directors of banks may feel an unusual degree of safety when complete information is available concerning the affairs of their borrowers.

In the January number of the same publication Mr. Castenholz presents an organization chart suggesting the definite responsibilities of the directors for different departments in the bank. It outlines the type of organization that will be effective for a bank of considerable size and states the principal functions in banking so with these factors in mind a chart to meet individual considerations can be prepared without difficulty. Under this chart various directors are placed in charge of loans, personnel, outside relations, accounting, publicity in new business, and together form the executive committee.

**WILLIAM DOLGE—"WHY ACCOUNTANCY IS A PROFESSION"**

Article in the *Coast Banker*, December, 1924.

In differentiating between a profession and a business Mr. Dolge in this article makes the statement that business implies standard methods, routine, quantity production, grades of material, grades of product, impersonality. He then points out that an accountant does not keep several grades of accounting service on tap and that quantity production and methods of standardization are not applicable to his work. No two engagements are alike, and ready-made systems are notorious for their failure. Therefore accounting service is personal, not impersonal, and consequently accounting is a profession. Emphasizing the personal note of the service rendered by accountants, Mr. Dolge points out that the client confides in the accountant his greatest personal secret—his income, his pocket book, his financial condition. The client comes for help because he cannot help himself. He goes to the accountant as he goes to his doctor. Credulous and ignorant people go to quack doctors; credulous and ignorant business men, sharp traders think all accountants are alike and seek and get competitive bids. But inevitably high moral and ethical standards must and do prevail. The accountant who makes accountancy a business usually has a short life. The foundation of an accountancy practice is the confidence the client has in the accountant. That confidence is based on the accountant's character, his integrity, his honor, his sense of moral values. Mr. Dolge writes that it has been his good fortune to witness the development of the accountancy profession in California and to see the struggle between the profession of accountancy and the business of accountancy from its very inception. He unhesitatingly asserts that the profession of accountancy has won.

**HENRY B. FERNALD—"PRACTICAL EFFECTS OF VARYING INCOME-TAX RATES ON INCOMES OF INDIVIDUALS, TRUSTS, CORPORATIONS"**

Article in February, 1925 issue of *The Mining Congress Journal*.

In this article, Mr. Fernald by a comparison of differences in taxation of individuals, trusts and corporations under federal tax laws illustrates how tax liability may be effected by the nature of the taxable unit receiving the income. The three units for taxation recognized by the present federal income tax law as well as by prior laws are the individual, the trust and the corporation. The partnership is not recognized as a taxable unit but all income of a partnership is taxable to its members as if each received individually his proportionate share of the partnership income for the fiscal year of the partnership which coincide with or terminates within the taxable year of the individual. The differences in taxation of an individual, a trust and a corporation are not so much in the nature of the income which is taxable to each as they are in the rates of taxation which are applicable to the same income, dependent upon whether it is to be considered as taxable to an individual, a trust or a corporation and the time when it becomes so taxable. Mr. Fernald points out that the lowest tax rate would be paid if income were received by the corporation and not distributed by it because then only the 12½% corporation tax would be payable. The law recognizes that its high surtax rates furnish a great temptation to do this so it imposed the 50% penalty tax to section 220 if a corporation "is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed." Mr. Fernald remarks that it will be difficult to say how far the department will go in imposing this tax or the extent to which it will be sustained. In cases of new or growing businesses it is not uncommon to find that a substantial part of the profits earned are not available for immediate withdrawal. If such a business is conducted by an individual he must pay his full surtax based on the entire income earned during the year. The corporation would similarly pay its corporation tax of 12½% on the entire income but the stockholder would pay only his surtax when and as the income became distributable. He cites recent cases where several years' profits were sufficient only to make good prior losses. If business was conducted by an individual or partnership full surtaxes had to be paid on each year's profits even though the profits were all absorbed by prior losses. The corporation, however, was not required to pay any dividends until it made up any impairment in surplus. This condition is now somewhat mitigated by section 206 which permits a net loss of one year to be deducted from income of a

succeeding year, but this provision often will fail to give the individual as great relief as it gives to the corporation. Mr. Fernald points out that there can be no thought that everyone can so arrange his affairs that he will always be able to take advantage of the minimum rate applicable to every transaction. He may, however, with all propriety give some attention to seeing that he does not so conduct his affairs as to subject himself to the payment of an unnecessarily high tax.

**WILLIAM J. ROBINSON—"COMMERCIAL ARBITRATION"**

Article printed in the *Commercial Digest*, Los Angeles, January, 1925.

The author calls attention to the advantages of the use of commercial arbitration in the settlement of business disputes as contrasted with a resort to the courts, laying emphasis on the economy of arbitration and on the rapidity with which cases are settled. The freeing of frozen assets is also pointed to as one of the benefits resulting from the arbitration of such disputes. Mr. Robinson reviews the provisions of the existing California law providing for arbitration and mentions a number of organizations, including the American Institute of Accountants, which have endorsed commercial arbitration.

**FRANK P. STRATFORD—"THE AUDITOR'S RESPONSIBILITY"**

Editorial in the *Accounting and Business Quarterly*, February, 1925, published by the Virginia Society of Public Accountants.

Mr. Stratford describes a discussion which he had with the manager of a business regarding the auditor's responsibility to his clients. This manager was not financially interested in the business and was more concerned that the year's operation should show as favorably as possible than he was with the question of income tax. When informed that the auditor must be permitted to charge off a sum representing a reasonable depreciation from wear and tear of the physical assets, this manager stated that he believed that the auditor's business was to check the arithmetical accuracy of the books and to report specifically thereon and that if the management did not see fit to charge off depreciation it was no affair of the auditor—he was not called upon to offer any criticism. Commenting on this incident. Mr. Stratford states that it reveals a somewhat extreme attitude, but it indicates that too many business executives are found who fail to understand the true nature of the work of the public accountant. The man in the illustration cited adopted the attitude that the auditor was employed by him and was therefore working for him and was not justified in declining to render a report contrary to his wishes so long as it agreed with the books. Mr. Stratford pointed out that nothing could have been further from the facts and that the true clients of the auditor were the owners of



the business, all of whom were on the outside, and the banks which lent the money. It was for their information and benefit, the writer pointed out, that the audit was made and for the auditor to fail to correct the accounts, or if this were not permitted, to fail to state wherein they were incorrect, would be defeating the other objects of his employment and would render him unworthy of being trusted. Those most interested who depend upon the auditor and the accuracy of his reports are the owners who are not actively engaged in the business, the bankers and quite often the general public.

**JOSEPH H. VAN DORN—"INHERITANCE TAXES—HOW MUCH DO YOU KNOW ABOUT THEM?"**

Article printed in *Commerce and Industry*, Philadelphia, January, 1925.

Mr. Van Dorn refers to the multiplicity of inheritance tax laws which hamper every effort to settle decedents' estates. Under the authority of these laws, he says, property is being subjected to a series of tax levies which are materially reducing the wealth of the community. In addition to the federal estate tax with its increased percentage rates and the new gift tax, there are 46 states enforcing inheritance tax laws. Competent authorities believe the entire programme is economically unsound and that little excuse and no justification exists for the present inheritance tax statutes, which make it appear that constructive legislation has given way

to a destructive policy of confiscation at death. Mr. Van Dorn quoted a statement by the secretary of the treasury, Andrew W. Mellon, to the effect that taxes at such rates which seize upon and take away so much of the capital of the country are fundamentally wrong. Mr. Mellon asserted in this statement that the nation, just as the individual, should not use up this capital in payment of its ordinary expenses. The loss of this capital must be made good out of the thrift and savings of the people of the country. Mr. Van Dorn points out that there is nothing new about inheritance taxes, but that it has remained for the United States in the past ten years to bring them to a point of complication never before equalled. Because of the overlapping jurisdiction of many state and federal inheritance tax laws it is a matter of grave concern to the taxpayer to know to how many of these tax levies his estate will be subject at his death. The laws are all different and are being constantly changed, either from legislative action or judicial decision. Their effect is destructive of capital. The author says that a will may be valid in one state and invalid in another, and that it should be executed with due regard for jurisdiction wherein it is expected to operate. He cites a number of cases illustrating the difficulties of disposing of real estate and stocks and bonds without subjecting them to the unjust and excessive taxation laws of the states in which various kinds of taxes are imposed. He advocates obtaining the most expert advice in arranging for the disposal of estates to prevent their depletion by inheritance and state taxes and the destruction of the whole purpose of the decedent.

**HERE AND THERE**

Baird, Kurtz & Dobson announce the removal of their offices to 215-17 Joplin National Bank building, Joplin, Missouri.

F. Gordon Blackstone announces the removal of his New York office to 25 Broadway.

Alex J. Boka and Co. announce the removal of their offices to suite 455 Planters building, St. Louis, Missouri.

Albert J. Derbes, Louis H. Pilié and Loraine J. Lampton announce the formation of a partnership, practising under the firm name of Derbes, Pilié & Lampton, with offices at 332-333 Whitney Central building, New Orleans, Louisiana.

George R. Dobie & Co. announce the removal of their Greensboro, North Caro-

lina, office to 921 Jefferson Standard building.

Robert Douglas & Co., 49 Federal street, Boston, Massachusetts, announce that Harold B. Cleworth has been admitted as a partner in the firm.

Ellis, Pinkerton & Co., with offices at 30 North La Salle street, Chicago, Illinois, and 490 Broadway, Milwaukee, Wisconsin, announce that James W. Love has been admitted to partnership in the firm.

John J. Finton announces the opening of an office at 426 Main street, Springfield, Massachusetts.

Roy C. Fischer & Co. and W. G. Kriegshauser announce the consolidation of their practices under the name of Fischer & Kriegshauser, with offices in the Boatmen's

Bank building, suite 1223-24, St. Louis, Missouri.

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Edward E. Gore, member of the Institute in Chicago, addressed the annual coal trade banquet of the Chicago Coal Merchants' Association at the Hotel La Salle on March 9th. Mr. Gore also delivered a speech at the dinner meeting of the Grand Rapids Credit Men's Association on March 26th. The subject of his speech was "Interesting experiences of an accountant."

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Harold Dudley Greeley, of New York, a member of the Institute, addressed the semi-monthly meeting of the New York Society of Public Accountants March 10th on the relation of the federal tax to the modern inheritance taxation.

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Eugene S. Howard and Phil J. Bohné announce the formation of a partnership, practising under the firm name of Howard, Bohné & Co., with offices at 1615-1616 Inter-Southern building, Louisville, Kentucky.

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Orrin R. Judd, a member of the Institute, has been appointed vice-president of the Irving Bank-Columbia Trust Company, New York.

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Lovejoy & O'Donoghue, 25 Broad street, New York, announce that Charles A. Reydel and Henry I. Hamm have been admitted to partnership.

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The pamphlet *Approved Methods for the Preparation of Balance-sheet Statements*, written by the American Institute of Accountants at the request of the federal trade commission and subsequently published by the federal reserve board, has been translated into Spanish by Rafael Mancera, an accountant in the City of Mexico. Mr. Mancera is secretary of the Instituto de Contadores Publicos Mexicanos.

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The *Atlantic Monthly* for April contains an article by George O. May, member of the Institute, entitled "The tax maze."

A. W. Morris, has been admitted to partnership in the J. I. Kinman organization, 1209-1215 National Bank building, Spokane, Washington.

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Alonzo Richardson & Co., Atlanta Trust Company building, Atlanta, Georgia, announce a change in the firm name to Richardson, Jackson & Davis. The firm will be composed of Edward Richardson, William C. Jackson and Lewis L. Davis.

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Emanuel Rothman announces the removal of his offices to 618-619 Lincoln building, 742 South Hill street, Los Angeles, California.

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Schooler, Bird & Company announce the removal of their offices to Suite 510-12 Santa Fe building, Dallas, Texas.

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Seiffert, Balch, Funk Co. announce the opening of their offices in the West End Trust building, Broad street and South Penn square, Philadelphia, Pennsylvania.

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Charles E. Wermuth, an Institute member in New Orleans has written a book entitled *Railroad Accounts and Statistics*.

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Whittlesey & Millar announce the dissolution of their partnership: W. S. Whittlesey will continue to practice under his own name at 101 Park avenue, New York. Edward B. Millar has become associated with Barrow, Wade, Guthrie & Co., 120 Broadway, New York.

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The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

William G. Adkins of Chicago, a member of the Institute, presided at the annual meeting of the Illinois Society of the Sons of the American Revolution, on December 3, 1924. On December 6th, he acted as toastmaster at the annual dinner of the Society of Colonial Wars in the State of Illinois, at which meeting he was elected lieutenant governor of the society.

Wilford A. Beesley, a Salt Lake City member of the Institute, served on a committee of the Utah Taxpayers Association in preparing a budget law for counties, school districts and cities, which was passed by the legislature at the last session.

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Harold E. Bell, of Youngstown, Ohio, prepared an article on the crime tendency which appeared in the *News-Telegraph* of Sharon, Pennsylvania, March 17th.

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P. L. Billings, of Des Moines, Iowa, a member of the Institute, spoke on cost accounting before the economics and accountancy class of State College, of Ames, Iowa, at a dinner on February 22nd. He also arranged for the class to visit a hosiery mill and review its cost system. Mr. Billings has been elected a member of the directors of the Travelers' Aid Society, which is a branch of the Des Moines chamber of commerce.

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Andrew H. Blass, a Pittsburgh member of the Institute, addressed the Retail Credit Men's Association of Pittsburgh March 2nd, on credit analysis of financial statements.

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Reynold E. Blight, now of Los Angeles, delivered an address on the value of popular education in a democracy before the Scottish Rite of Norfolk, Virginia, March 12th. On March 30th, he spoke on the national defense before the Military Service Legion in Washington, D. C.

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R. M. Crane, a member of the Institute, talked on retail furniture store accounting before the Rocky Mountain Furniture Dealers' Association at Denver on March 30th. Mr. Crane has also been active as vice-president and director of the Denver chamber of commerce, and as a member of the industrial development committee of the chamber. He served on the legislation committee of the Colorado Society of Certified Public Accountants.

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C. Lawrence Evans, an associate of the Institute, addressed the Master Plumbers'

Association in Providence, March 19th, on the uniform accounting system for plumbers as suggested by the National Trade Extension Bureau.

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Lewi Gluick, an associate of the Institute, is the author of an article on expert accounting, which appeared in the October, 1924, issue of the *Sample Case*. He spoke on the same subject to a class in accounting at Yale University about the same date.

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Edward E. Gore of Chicago addressed the Midland Confectioners' Association, at their annual meeting February 18, on "What to expect in business."

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K. Werner Heye, an associate of the Institute, of Rochester, N. Y., is a member of the committee on industrial development and the committee on arbitration of the Rochester chamber of commerce.

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George R. Hill of Michigan City, Indiana, delivered a number of addresses on the new income-tax law before various Rotary clubs in Indiana and Michigan, the chamber of commerce of Laporte, Indiana, and the Manufacturers' Club of Michigan City, Indiana, during December, January, February and March.

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Frederic W. Kilduff, an associate of the Institute in San Francisco has published a book of 446 pages on inventory practice and material control.

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Caddie H. Kinard, an Institute member, prepared the statement of income and expenditures and the statement of receipts and disbursements of the El Dorado chamber of commerce early in January.

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Joseph J. Klein, of New York, a member of the Institute, acted as arbitrator in a dispute between a young C. P. A. and his client respecting a question of fee. He awarded to the accountant the full fee claimed by him and the client expressed himself as completely satisfied with the decision. The fee was promptly paid. The

arbitrator refused compensation for his services but both litigants sent donations to a hospital on whose board of directors the arbitrator serves.

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John J. Lang of St. Louis, an associate of the Institute, delivered an address on normal vs. actual overhead before the southern division of the Illinois Manufacturers' Cost Association on March 20th.

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Arthur M. Loomis, an Institute member of Los Angeles delivered an address on profits, gross and net, before the Kiwanis Club of Glendale, California on March 20th. On March 6th, he conducted the Los Angeles Club meeting on the subject of business ethics as chairman of the fundamentals committee.

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J. E. Masters, of Boston, Mass., a member of the council of the Institute, as a member of the council for commercial arbitration attended hearings before a committee of the legislature, advocating passage of the arbitration bill.

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J. O. McKinsey, an Institute member, of the university of Chicago, delivered an address before the student body of the Harrison technical high school of Chicago, March 23, on accounting as a vocation. The following day Mr. McKinsey spoke on the educational programme of the university of Chicago before the alumnae of the university, in Dayton, Ohio.

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N. L. McLaren, an Institute member of San Francisco, on February 21st addressed the California Bankers' Association tax conference on "High lights on the preparation of bank income-tax returns." He is the author of a special booklet prepared for the California Bankers' Association, "Federal Income-tax Guide for Individuals."

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Harry B. Mills, an associate of the Institute, arranged for the publication of an article on arbitration prepared by the American Institute in the February issue of the *Coast Banker*. Mr. Mills is an

instructor and lecturer in accountancy at the Los Angeles Y. M. C. A.

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Harry L. Oppenheimer of St. Louis addressed the Illinois Manufacturers' Association, cost section, in St. Louis on February 20, on some practical tax problems for the manufacturer and the business man.

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Bertram F. Reeves, a member of the Institute, is chairman of the postal facilities committee of the Salt Lake City chamber of commerce which has been successful in gaining the adoption by the United States government of a new route for mail to sections of Nevada and California thus resulting in the saving of time in transit.

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William J. Robinson, an Institute member of Los Angeles, California, has been appointed auditor of the commercial board of Los Angeles, an organization of business and professional men.

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Ernest A. Roden, of Cincinnati, Ohio, an Institute member, has been appointed a member of the committee on arbitration of the Cincinnati chamber of commerce.

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Walter A. Staub, an Institute member of New York, spoke on February 24th to the executives and plant managers of the Philadelphia plant of the General Electric Co. on business and finance. Mr. Staub is a member of the board of education of Milburn township, New Jersey.

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John A. Stolp, an Institute member in Chicago, spoke before the fifth annual tax conference of the Illinois Manufacturers' Costs Association in Chicago on February 26, 1925, on practice before the United States board of tax appeals.

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Theodore I. Schneider, of New York, a member of the Institute, addressed the Merchants Ladies Garment Association, January 19th at Hotel McAlpin on "Budgetary control."

# Bulletin Supplement

April 18, 1925.

To the Members and Associates

of the American Institute of Accountants:

The board of examiners recommended to the council at its meeting of April 13, 1925, the election of 2 applicants who had passed oral examinations, 8 who were eligible under the credit-for-other-examination clauses, 21 who were eligible without further examination, having already taken the Institute examinations for the C. P. A. degree, and the advancement of 8 associates to membership.

The council approved the recommendations of the board.

The following is a list of those recommended for election:

For advancement to membership:

Harold E. Bell, Youngstown, Ohio  
Russell D. Comfort, Chicago  
Abraham Himmelblau, Chicago  
Ethel S. Kingman, Boston  
William Merkle, Chicago  
Harry L. Oppenheimer, St. Louis  
Raymond T. Schneider, Minneapolis  
Carl F. Speth, Chicago

For admission as members:

Bernard H. Arnold, Minneapolis  
Valdine Baker, Tulsa  
Lynn E. Baxter, Salt Lake City  
Eric C. Burroughs, New York  
Allen C. Ellis, Portland, Oregon  
Walter J. Goggin, Boston  
George T. Graham, Oshkosh, Wisc.  
Vincent B. Haggerty, New York  
Frederick C. Hitchcock, Los Angeles  
Thomas L. McLeod, Rochester, N. Y.  
Edward Paterson, New York  
Thomas W. Rogers, Philadelphia

John F. Rowan, St. Louis  
George P. Schmal, Minneapolis  
Neil Sexton, Seattle

For admission as associates:

Rudolph H. Anderson, Minneapolis  
Alvin J. Benner, St. Louis  
Manoel S. Carneiro, San Antonio  
Perry R. Cobb, New York  
Nelson G. Culp, Chicago  
Harold V. Duckworth, New York  
Welborne J. Forney, Jacksonville  
Joseph H. Gilby, Chicago  
Henry G. Mayhew, Fort Worth  
Clifford R. Munson, St. Paul  
James O. Peavey, Memphis  
Charles C. Potter, Orlando, Fla.  
Rollin P. Rodolph, San Francisco  
Franklin D. Schurz, New York  
Frank P. Schwartz, St. Joseph, Mo.  
Leland G. Sutherland, Los Angeles

If no protest is received by May 1, 1925, against the election of any of the applicants in the foregoing list, they will be declared elected by the president.

A. P. RICHARDSON, *Secretary.*

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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MAY 15, 1925

SERIES B, No. 13

### Council Meeting

The regular spring meeting of the council of the American Institute of Accountants was held at the Washington Hotel, Washington, D. C. on Monday, April 13, 1925. Twenty-nine members of the council were present. A report was presented by the chairman of the special committee on public affairs which received the unanimous approval of the meeting, and a resolution was adopted expressing the opinion of the council that the work should be continued and fostered in every practicable way.

The council adjourned and convened as a trial board to hear charges preferred against a member, and to consider a request from another member for reopening of a case in which he was involved. Full report of these proceedings will appear in *The Journal of Accountancy* in accordance with the provisions of the by-laws of the Institute.

The reports of the treasurer and secretary were received and placed on file.

An application from the Philadelphia chapter for approval of its by-laws was granted.

Reports were received from the following committees: executive, arbitration, education, federal legislation, state legislation, special committee on other organizations, special committee on regional districts.

The council, having accepted with regret the resignation of Waldron H. Rand from membership on the board of examiners, elected C. O. Wellington, Boston, to fill the vacancy thus caused.

A special committee consisting of the members of the committee on state legislation, the members of the committee on federal legislation and such other members of the Institute as the president may from time to time appoint was authorized to give at-

tention to all matters of taxation which may arise in the affairs of the national or state governments.

A report from the board of examiners recommending the election of certain applicants for admission as members and associates was received. The names of these applicants were published in a supplement to bulletin No. 12, series B.

The time for protest against the election of any person mentioned in the list expired May 1st and the president declared elected as of that date the following:

For advancement to membership:

Harold E. Bell, Youngstown, Ohio  
Russell D. Comfort, Chicago  
Abraham Himmelblau, Chicago  
Ethel S. Kingman, Boston  
William Merkle, Chicago  
Harry L. Oppenheimer, St. Louis  
Raymond T. Schneider, Minneapolis  
Carl F. Speth, Chicago

For admission as members:

Valdine Baker, Tulsa  
Lynn E. Baxter, Salt Lake City  
Eric C. Burroughs, New York  
Allen C. Ellis, Portland, Oregon  
Walter J. Goggin, Boston  
George T. Graham, Oshkosh, Wisc.  
Vincent B. Haggerty, New York  
Frederick C. Hitchcock, Los Angeles  
Thomas L. McLeod, Rochester, N. Y.  
Edward Paterson, New York  
Thomas W. Rogers, Philadelphia  
John F. Rowan, St. Louis  
George P. Schmal, Minneapolis  
Neil Sexton, Seattle

For admission as associates:

Rudolph H. Anderson, Minneapolis  
Alvin J. Benner, St. Louis  
Manoel S. Carneiro, San Antonio  
Perry R. Cobb, New York  
Nelson G. Culp, Chicago  
Harold V. Duckworth, New York  
Welborne J. Forney, Jacksonville

Joseph H. Gilby, Chicago  
Henry G. Mayhew, Fort Worth  
Clifford R. Munson, St. Paul  
James O. Peavey, Memphis  
Charles C. Potter, Orlando, Fla.  
Rollin P. Rodolph, San Francisco  
Franklin D. Schurz, New York  
Frank P. Schwartz, St. Joseph, Mo.  
Leland G. Sutherland, Los Angeles

### Board of Examiners

The examinations conducted by the board of examiners of the American Institute of Accountants and co-operating states began May 14th and will conclude on the date of publication of this bulletin. Institute applicants are being examined in the following cities: Boston, Chicago, Indianapolis, New York, Pittsburgh and St. Louis.

### Chamber of Commerce Meeting

The thirteenth annual meeting of the Chamber of Commerce of the United States will be held May 19th to 22nd, at Washington, D. C.

### Bankers Advocate Certified Statements

George P. Edwards, editor of *Coast Banker*, in a recent letter to the committee on public affairs said: "For several years *Coast Banker* has been publishing editorials and other matter, all exercising pressure along the line of demanding certified public accountants' statements, and I think that the effect has been very good because we have given any weak-kneed bankers there may be in our field the excuse for demanding these statements by printing letters from leading bankers of the country and by printing editorials and articles such as the one to which you refer." The letter was accompanied by a copy of the October, 1924, issue of *Coast Banker*, in which were printed several letters from bankers in Los Angeles, Seattle and Boston, advocating a more general use of statements prepared by certified public accountants. In the introduction to the article which included these letters, *Coast Banker* said: "Leading bankers of the country are almost a unit in advocating the statements of certified public accountants as a means of guiding and safeguarding credit decisions. Last month *Coast Banker* printed letters from a number of prominent bankers, giving their views in reply to its questionnaire on the subject."

In its questionnaire *Coast Banker* ex-

pressed the opinion that if honest certified public accountants were employed more generally, there would be less loss to individual business men and to bankers, and it asked the following questions:

"Will you tell me if in your opinion the effort is good? Do you think that the use of certified public accountants throws greater protection around bank loans? Do you think clients as well as banks get benefits from such examination? What value do you place upon certified public accountants' investigations and reports? What should the certified public accountant do to make his work most efficient?"

K. D. Powellson, assistant cashier of the Pacific National bank of Los Angeles, wrote in reply, "We are very strong in our opinion that the use of statements prepared by certified public accountants will eventually become a requirement by the banks from their customers as a basis on which to judge the merits of unsecured credit. A banker passes judgment on the business ability and financial strength of his customer principally through the manner in which the customer presents a statement of the condition of his business for the bank's consideration. If the necessary and proper information is intelligently supplied, a banker is in a position quickly to determine the credit risk and furnish the customer with the proper amount of money needed in his business. Statements prepared by customers or their own accountants invariably reflect a picture as seen through the customers' eyes. Few business men understand ratios of assets and sales to liabilities or cash reserves. Many statements prepared with sincerity of purpose by manufacturers, merchants, etc., do not accurately reflect known liabilities."

M. A. Arnold, president of the First National bank of Seattle, wrote, "I am heartily in accord with the work you are doing toward bringing into more general use the audits of certified public accountants. I might add that in purchasing paper in the open market it is our rule to buy only names where audited statements are available. We attach considerable value to the certificate of any of the well-known C. P. A. firms. In this connection we have at times had occasion to criticise the indefinite character of certificates as issued

by some of the lesser known audit concerns and believe that a uniform certificate setting forth such items as contingent liabilities, orders booked for future delivery, contracts for future purchases, also stipulation as to whether any of the accounts and notes are due from members of the personnel, is desirable."

J. Dabney Day, president of the Citizens National bank of Los Angeles, said, among other things, "The banker, because of the disproportion between what he gains if all goes well and what he stands to lose if it does not, is continually facing the menace of loss percentages. Charged as he is with responsibility for other people's money, the banker must establish as his first consideration the security of the loans he grants. Let him relax his vigilance in this respect and the percentage of losses, unless he is more than ordinarily fortunate, will spell disaster. It is manifestly unfair to require him, then, to shoulder the burden of continually making these momentous decisions unless he is furnished the best possible protection in the way of accurate and dependable information. That protection can best be afforded through the medium of examinations by competent and impartial public accountants in whom both borrower and lender have confidence."

Charles F. Mills, vice-president of the First National bank of Boston, wrote, "We feel strongly on this subject, as we believe that a great many losses which banks have incurred could have been avoided if competent outside accountants had gone over the books. We are more and more requiring audited reports in the case of those companies seeking credit with us, and we believe that this practice is steadily gaining favor."

### **Accounting in Welfare Work**

Four references to the work that is being done by public accountants were included in

a single issue of a combined publication, *Better Times and Social Welfare Administration*, a magazine for executives of welfare institutions. In one article descriptive of policies adopted by boards of directors of welfare institutions the statement is made "an accountant or a campaign expert may be called into consultation regarding specific problems." In another article attention is called to the fact that certified public accountants have estimated that under average conditions a well-written business letter costs the sender thirty-six cents. In an article on guides to giving, one of the three minimum standards required of organizations to which money is allotted is stated to be that the accounts of the financial officer should be audited by a public accountant. An article on simplicity in accounting is included in this number.

### **Advises Surveys of Physical Properties**

Cleaveland R. Cross of Cleveland, Ohio, who addressed the Northern Ohio Chapter on April 11th, in discussing his speech in a letter to the committee on public affairs expressed the opinion that too much emphasis is placed upon books of account in making audits and check-ups, to the neglect of survey of physical properties. He says in part:

"I do not know whether this has been covered in any of your bulletins but I have observed from matters with which I have had much to do here in Cleveland, as receiver, etc., that we cling too much to the traditional emphasis upon books of account in making audits and check-ups and neglect the survey of physical properties. For example, our state department of savings and loans and our state banking department do not make any effort to determine whether mortgages purporting to be upon improved property are in fact such, or whether, as has been several times the case in Cleveland, they rest upon vacant property."

## **REGIONAL MEETINGS**

### **Cincinnati**

A regional meeting of the American Institute of Accountants will be held at Cincinnati, May 23rd. The region represented at this meeting includes western New York, western Pennsylvania, West Virginia, Ohio and Indiana.

The principal topic of discussion at the meeting will be the question of credit frauds, using as a text for consideration letter-bulletin No. 3, issued by the bureau of public affairs of the Institute.

J. G. Korner, Jr., the new chairman of the United States board of tax appeals will



be present at the meeting and is expected to speak upon the method of presenting appeals before the board of tax appeals.

A message from Andrew W. Mellon, secretary of the treasury will also be received and discussed.

The following programme is announced by E. A. Roden, president of the Southern Ohio chapter of the Institute which is in charge of arrangements for the meeting:

SATURDAY, MAY 23, AT CINCINNATI

HOTEL GIBSON:

*Credit Frauds:*

The morning and afternoon sessions will be largely devoted to the consideration of the subject of credit frauds. Addresses on various phases of the subject, based upon letter-bulletin No. 3 recently issued by the bureau of public affairs of the American Institute of Accountants, will be delivered by: C. R. Whitworth, Chicago; Harold Worthington, Cleveland; George S. Olive, Indianapolis; Clay Herrick, vice-president and credit manager of the Guardian Trust Company, Cleveland; John L. Richley, at-

torney-at-law, manager Adjustment Bureau, Cincinnati Association of Credit Men.

*The Relation of the Accountant to Public Service:*

Homer S. Pace, New York, who is chairman of the committee on public affairs of the American Institute of Accountants will talk upon the relation of the accountant to public service.

*Accountants' Methods of Presenting Appeals before the United States Board of Tax Appeals:*

J. G. Korner, Jr., the new chairman of the board will talk upon accountants' methods of presenting appeals before the United States board of tax appeals. A constructive discussion of this subject by such an authority should prove of inestimable value to all accountants.

BANQUET—A strictly informal banquet will be held at the Hotel Gibson at 6:30 P. M.

An invitation is extended to members of the Institute and to all accountants and others who may be interested. All practising accountants are requested to urge the members of their staff and business acquaintances to attend this meeting.

## COMMITTEE ACTIVITIES

### Federal Legislation

The chairman of the committee on federal legislation directs the attention of members and associates of the Institute to the desirability of preparing and presenting to the committee their recommendations for amendments in federal tax laws. The committee will consider suggestions received and present them to the committee of congress which will probably meet in September to consider the whole question of tax amendment.

### Public Affairs

The first edition of 65,000 copies of letter-bulletin 3 on "Credit Frauds" was exhausted within three weeks of the time of publication and arrangements are now being made by this committee for a second edition of 50,000 copies. More than 300 members and associates of the Institute have availed themselves of the offer of 50 copies of letter-bulletin 3 without cost. In a number of instances firms arranged to receive several thousand copies, the highest number being 5,000. Thirty thousand copies have been sent to the members of the National Association of Credit Men, together with copies of the revised geographical list of members and associates of the Institute. Copies have

also been sent to the members of the Robert Morris Associates, in accordance with arrangements made with the officers of that organization.

The demand for letter-bulletin 3 leads the committee to believe that a distribution of several hundred thousand copies will be made. This will include distribution through chambers of commerce, trade organizations, banks, Rotary and Kiwanis clubs and other public and quasi-public bodies.

Many words of commendation have been received by the committee following the publication of this letter-bulletin, of which grateful acknowledgment is hereby made.

The Northern Ohio chapter of the Institute has arranged for a coöperative distribution of letter-bulletin 3 to bankers, attorneys, business men and others in forty-five counties of Ohio. The chapter obtained assignments from members and associates of the Institute in that territory of their quotas of 50 free copies apiece of letter-bulletin 3 amounting to 2,000, and itself mailed the letter-bulletins to an approved list.

Letter-bulletin 3 makes suggestions as to possible strengthening of existing laws and of the need for the enactment of new legislation in many of the states on matters related to the prevention of commercial crimes. The committee on public affairs hopes to

make in conjunction with the distribution of letter-bulletin 3, survey of conditions in various states with the idea of encouraging the enactment of new legislation, with the coöperation of the Institute's committee on state legislation.

F. B. DeBerard, director of research of the Merchants Association of New York, in acknowledging receipt of a copy of letter-bulletin 3 wrote:

"Our committee on commercial law recently considered your letter-bulletin No. 2 on the subject of crime tendencies. It was the unanimous opinion of the committee that the employment of certified accountants as a means for checking certain classes of commercial frauds is highly desirable.

"Our committee will be glad to learn if the American Institute of Accountants has any concrete proposals for amendment of existing law, or for the enactment of new law with respect to the checking of commercial frauds. If so, our committee will be glad to have such amendments submitted for its consideration with a view to coöperative action."

The committee on public affairs believes that this is the fore-runner of many similar movements to secure needed legislation.

Requests for copies of letter-bulletin 3 have been received daily by the committee during the past two weeks from chambers of commerce, accountants, trade organizations and others, and it is apparent that there will be even a larger distribution of this letter-bulletin than of letter-bulletin 2.

Francis S. Lamb, of Oshkosh, Wisconsin, a new member of the Institute, is president of the Oshkosh Association of Credit Men. Writing to this committee concerning letter-bulletin 3 on credit frauds, Mr. Lamb says, "You may be sure that I will have no difficulty in arranging with our chamber of commerce for distributing copies to its members. There are some 600 or 700 members of this body. I will advise you of the exact number later." Mr. Lamb asked for 100 copies of letter-bulletin 2 on the crime tendency for distribution to the credit men as a preliminary to their campaign to reduce credit frauds.

The committee is following closely the efforts to pass commercial arbitration laws in various parts of the country. The Rhode

Island legislature adjourned late in April without taking action on the arbitration measure which had been introduced through the efforts of members and associates of the Institute in that state. Plans already are being made for the introduction of a stronger measure at the next session.

The council of commercial arbitration in Massachusetts, of which J. E. Masters and Frederick J. Hillman, both members of the Institute, are members, conducted a vigorous campaign in Massachusetts in behalf of a commercial arbitration measure with the result that the legislature enacted it into law and it received the signature of the governor April 29th.

Members of the Institute in Missouri are in touch with the newly organized Missouri Arbitration Society, which will make an effort to secure the enactment of a suitable commercial arbitration measure during the next session of the legislature. Efforts to bring about the adoption of a new law this year were fruitless.

J. P. Dawson, an Institute member of Portland, Oregon, has taken an active part in the work of popularizing commercial arbitration in his state following the enactment of an arbitration law which became effective May 1st. He is responsible for the publication of several newspaper articles descriptive of the uses that may be made by business men of arbitration. He also addressed the City Club of Portland, Oregon, on arbitration.

W. D. B. Dodson, general manager of the chamber of commerce of Portland, Oregon, in a communication to the committee relative to the enactment of the arbitration law in Oregon said: "I wish to thank you and your organization for your interest in this cause, which we, too, regard as very important."

This committee co-operated with Charles S. Holbrook, chairman of the arbitration committee of the Association of Building and Construction of Oregon, in arranging for the presentation to the business public of Portland, Oregon, of facts concerning the Institute's interest in commercial arbitration.

Among the outstanding public service reports received by the committee during the month is that of Ernest Reckitt, an Institute member of Chicago, who served on a com-

mittee of the Association of Commerce to raise funds for the relief of the tornado sufferers in Indiana and Illinois. Mr. Reckitt serves also on a committee on miscellaneous subscriptions of the Chicago Association of Commerce, and serves on three committees of the City Club—chamber music, public safety and moving pictures.

E. E. Gore, of Chicago, former president of the Institute, made six public addresses during March and April. He discussed the improvement of methods before the Chicago Retail Coal Dealers' association, March 9th, and spoke before the Grand Rapids Credit Men's association, March 26th on peculiar experiences of an accountant. He discussed the transportation needs of Chicago before three mass meetings, at one of which he presided. He spoke on community service before the South Chicago Chamber of Commerce. Mr. Gore's public service during these months included service as the presiding officer at meetings of the All Chicago Council, March 4th and 20th, and attendance on five executive committee meetings; service as presiding officer at a luncheon given to members of the Illinois general assembly given by the Illinois Chamber of Commerce at Springfield, March 11th; service as the presiding officer at a dinner given to the Illinois legislature by the Illinois Chamber of Commerce at Springfield, March 18th; appearance before the revenue committee of the Illinois house of representatives on March 31st, in behalf of a measure to require payment of interest on all public funds; appearance before the Illinois state senate as a committee of the whole in behalf of revenue amendments to the Illinois state constitution; appearance before the military affairs committee of the Illinois state senate in behalf of the state police bill; service as presiding officer of the committee of resolutions of the Chicago Association of Commerce to draft resolutions to be presented to the Chamber of Commerce of the United States of America; attendance at executive committee meetings of the Chicago Association of Commerce; appearance before the committee on education of the Illinois state senate in behalf of a measure to compel prompt distribution of state funds.

W. W. Larkin of Manila writes the committee that he has been making efforts to organize the public accountants of the Philippine Islands and to publish a monthly

organ. He distributed copies of letter-bulletin 2 to bankers, attorneys and business men, and is interested also in legislative matters touching accountancy. He has undertaken to make a distribution of letter-bulletin 3 to the business interest of the islands. Mr. Larkin is a member of a committee to assist in entertaining tourists visiting Manila, and is doing work for the boy scouts organization, a hospital for crippled children, the Red Cross and the American Guardian association.

Norvel M. Stiers, an Institute associate of Indianapolis, served as chairman of the auditing committee which reported on the examination of the Indianapolis Bar association.

General S. H. Wolfe, an Institute member of New York, took part in an investigation of the insurance department of the United States Veterans' Bureau of Washington for the director, and also participated in an investigation of mortality experience of the Army Mutual Aid association, composed of commissioned officers of the regular army.

Harvey S. Chase, of Boston, who was the first secretary of the Massachusetts Society of Certified Public Accountants, in an address at the 25th anniversary of the founding of the society gave an interesting account from an historical point of view of the organization and progress of the society. Mr. Chase is preparing a book to be entitled "The Rise of American Accountancy," which he will dedicate to Elijah Watt Sells and Charles Waldo Haskins.

Word is received by the committee that the newspaper article, based on letter-bulletin 2 and prepared by the Ayer agency, "Forgeries Did not Flourish when Cows were Cash," in which reference was made to the Institute, has been published in 63 newspapers which have a combined circulation of 257, 822.

Clippings of newspaper articles concerning letter-bulletin 2 on the crime tendency are still being received by the bureau of public affairs. One of the latest came from Broken Hills, New South Wales, where it was clipped from the *Barrier Daily Truth*, in which it was printed January 30th.

Copies of letter-bulletin 2 on the crime tendency were sent by the Waltham, Massachusetts, chamber of commerce, to all of

its members. Accompanying the letter-bulletins the chamber of commerce sent the following letter:

"The American Institute of Accountants, the oldest and perhaps the most highly esteemed professional organization of accountants in this country, has, through its committee on public affairs, prepared several letter-bulletins on matters of the moment of interest to all citizens, and particularly to business men. Perhaps the most important of its publications, thus far, has been its bulletin No. 2 on the crime tendency.

"Through the courtesy of one of our members, an associate of the Institute, the committee has furnished the Waltham chamber of commerce with sufficient copies of this bulletin to distribute to its members. It is commended to your attention.

"Some of the facts contained therein will be a great surprise to you. We trust that you may profit by its publication, and call to your special attention the preventive measures outlined in the bulletin."

Arrangements are being made by the bureau of public affairs with the larger chambers of commerce of the country for the exchange of the Institute bulletins and letter-bulletins for the weekly and monthly publications issued by the chambers of commerce. In this way, the monthly bulletins of the Institute will be placed on the reading tables of the larger organizations of business men in the country.

*Printers Ink*, of February 26th, in an article concerning the war on fraudulent advertising, quoted from letter-bulletin 2 on the crime tendency, citing figures as to losses caused by stock frauds. Reference to this activity of the Institute was made by Lou E. Holland, president of the Associated Advertising Clubs of the World, in a speech before the annual meeting of the clubs of the seventh district at Wichita, Kansas, February 16th.

The committee on public affairs of the Society of Certified Public Accountants of the State of New Jersey has brought about the publication of articles on "Income-tax provisions in the 1924 revenue act" and on "Checking business crime" in *The Newarker*, the official organ of the chamber of commerce of Newark, N. J. The last named article was based on letter-bulletin 2. The committee on public affairs of the New Jer-

sey State Society is cooperating with the Institute committee in laying before the business public information concerning subjects studied by the Institute.

The annual report of the Washington board of trade, Washington, D. C. contains reference to letter-bulletin 2 on the crime tendency.

The National Association of Manufacturers has requested the committee to place it on the list to receive all publications, so that it may make use of the material thus presented to the business public in its publications and communications to members.

As a result of sending letter-bulletins 1 and 2 on arbitration and the crime tendency respectively, to certified public accountants who are not members of the Institute, the committee has received a number of communications from certified public accountants who do not hold membership in the Institute, offering to assist the committee in its work by addressing public gatherings and presenting to the public information concerning the subjects dealt with in the letter-bulletins issued by the committee.

Requests still are being received for copies of letter-bulletin 2 on the crime tendency. An indemnity company of Newark, New Jersey, ordered 500 copies, saying that they would be of great value to the committee for better underwriting of the associated surety companies and to the field forces of those companies.

This committee assisted the programme committees in charge of the regional meetings at Dallas, Texas, May 7, 8, and 9, and at Cincinnati, Ohio, May 23rd in arranging programmes by suggesting subjects to be discussed and possible speakers.

Newspaper mention is being secured by this committee of outstanding Institute activities. Descriptions of the aims of the Institute, of its rules of professional conduct, and of the public service undertaken by the Institute were printed in more than 100 newspapers during April, with the co-operation of members and associates in various cities.

## STATE BOARDS OF ACCOUNTANCY

### New Jersey

The following persons have received the C. P. A. certificate of New Jersey: James R. Adams, A. Henry Baum, Alexander H. Beard, S. Roger Mitchell, Robert F. Tilli-

son, Christian Gutmann, Harold G. Hutchinson, George M. Reuck, William H. Conkling, Phillip J. Mayer, Herman L. Shrager, Irving H. Smith, David Dean Ravitz, Richard B. Grant.

### **New York**

The board of regents of the University of the State of New York at a meeting held April 25th appointed the following members of the state board of accountancy: Henry E. Mendes, James F. Farrell and Simon Loeb. At a meeting on April 29th at which Augustus S. Downing, assistant commissioner and director of professional education was present, the board organized by the election of Henry E. Mendes as president and James F. Farrell as secretary.

Under a ruling of the department the board will not interview candidates for C. P. A. registration. Under this rule all communications relative to the examinations must be addressed in writing to the department of education at Albany.

The following persons have been granted C. P. A. certificates in the state of New York: Albert G. L. Baines, Hyman Besser,

Harry A. Grube, Harvard L. Mann, Arthur James Mannix, Dale M. Spark and Francis A. Morrison.

### **North Dakota**

The governor of North Dakota in accordance with provisions of the new C. P. A. law of that state has appointed the following members of the state board of accountancy: F. F. Burchard, Grand Forks, chairman; J. W. Wilkerson, University, secretary and treasurer; T. H. Poole, Bismarck. The members are certified public accountants of North Dakota.

### **Washington**

The governor of Washington has appointed the following members of the new state board of accountancy: George V. Whittle and James M. McConahey of Seattle and E. C. Daniels of Spokane.

## **NEWS OF LOCAL SOCIETIES**

### **Alabama Society of Certified Public Accountants**

The annual meeting of the Alabama Society of Certified Public Accountants will be held in August.

### **Connecticut Society of Certified Public Accountants**

The regular annual meeting of the Connecticut Society of Certified Public Accountants was held at New Haven on April 8th. Dinner was followed by a business session at which the reports of the various officers and committees were read and approved.

The following officers were elected for the ensuing term: Maurice L. Blanchard, Hartford, president; George W. Meder, Bridgeport, vice-president; S. Earl Shook, Bridgeport, secretary; Frederick W. Child, Greenwich, treasurer. Guy Cambria, Middletown, was elected auditor.

The board of governors of the society is composed of George E. Curtis, Norwalk; Percy Rothwell, Hartford; Milton M. Stone, Springfield; Charles F. Coates, Hartford; Irville A. May, New Haven.

Following the business session Lewis G. Fisher, a member of the Institute in Providence, and also a member of the Rhode Island state board of accountancy, addressed the meeting on income-tax institutes con-

ducted by state societies. Mr. Fisher's remarks were followed by a general discussion.

The president was authorized to appoint a special committee of three to investigate and report to the society as to what could be done to further the interests of certified public accountants of Connecticut. A committee of three will be appointed to consider the present by-laws of the society and recommend any changes which may seem desirable.

### **Indiana Association of Certified Public Accountants**

Weekly luncheons of the Indiana Association of Certified Public Accountants have been resumed. Until further notice luncheons will be held every Monday at 12:15 at the Lincoln hotel, Indianapolis. On April 27th Paul Stokes, manager of the research division of the National Retail Hardware Association addressed the luncheon meeting on "business conditions." Arthur R. Chapman, 904 Hume-Mansur building, Indianapolis, is chairman of the luncheon committee.

### **Louisiana State Society of Certified Public Accountants**

The Louisiana State Society of Certified Public Accountants has issued the following letters to its members:

*Bulletin of American Institute of Accountants*

New Orleans, March 24, 1925

Dear Sir:

The bankers in this city are insisting more and more that their customers furnish them with financial statements certified by public accountants.

In connection with this matter the committee of management of the New Orleans clearing house association requested a conference with the president and secretary of the Society of Louisiana Certified Public Accountants. At this conference an opinion from the attorney for the clearing house association was read in which he stated that when a financial statement was furnished to the bank by a customer for the purpose of procuring credit or funds the certification of the public accountant only was not sufficient to hold the customer liable under the law and that the latter should also certify to the correctness of the statement.

In view of the foregoing the officers of the society agreed that the customer's certificate was advisable and at a meeting of the executive board of the society it was unanimously resolved to cooperate with the banks as far as permissible.

On the 12th of November, 1924, the committee of management of the clearing house association passed a rule that in the future public accountants' statements furnished the banks by their customers shall bear a certificate to be signed by the signing officer of the firm or corporation or individual in the following form:

"The undersigned has examined the foregoing financial statement, knows its contents, and hereby certifies that it is a true and correct statement of said business as of the date it bears, and is hereby made to.....

Bank for the purpose of procuring credit and/or funds for the use and benefit of said business.

New Orleans, La.

19.....

Signature."

Your attention is directed to the adoption of the above form of certificate by the banks and in preparing financial statements for your clients to furnish their banks, in addition to your certificate, you should either type the customer's certificate thereon or advise your client regarding it so that he may affix it to the balance-sheet.

We feel that you will lend your hearty coöperation in this matter.

Yours very truly,

EMILE BIENVENU,

President.

GEO. A. TREADWELL,

Secretary.

March 24, 1925.

The attorneys for the city and state tax collectors ruled that public accountants were not entitled to the benefit of the "one-half" clause in the law regulating licenses because public accountancy could not be classified as a profession. Tenders to the city collector on the one-half basis were refused and full amounts demanded. Those who had secured licenses before the attorneys rendered their opinion were to be called upon for the payment of the other half.

The executive board of the society met and authorized its president, Emile Bienvenu, to act for the society, and to employ an attorney, if he deemed advisable. The state board of certified public accountants authorized its president, Archie M. Smith, to represent them. Messrs. Bienvenu and Smith called on the attorney for the state tax collector and were informed by the latter that after careful consideration of the matter he could not possibly include public accountants among the professions. After an exhaustive discussion Messrs. Bienvenu and Smith submitted a judgment rendered by the supreme court of Louisiana about two years ago bearing on the constitutionality of the C. P. A. law and pointed out the language of the court which referred to the "highly skilled and technical profession of public accounting." Upon completion of the reading of the judgment of the supreme court, the attorney for the state tax collector informed Messrs. Bienvenu and Smith it was so conclusive that he would promptly classify public accountancy as a profession in connection with the issuance of licenses and that public accountants would therefore continue paying on the one-half basis as heretofore.

The above is called to your attention because of its importance and enormous savings to public accountants and to show that the state society and state board are ever alert where the interest of public accountants is at stake.

GEO. A. TREADWELL,

Secretary.

**Massachusetts Society of Certified Public Accountants, Inc.**

The Massachusetts Society of Certified Public Accountants, Incorporated, celebrated the twenty-fifth anniversary of its establishment at a meeting and banquet held at Boston on April 27th, 1925. The society had extended invitations to the American Institute of Accountants and to the principal state societies to send representatives. At the banquet which was held at the Somerset hotel, the president of the society, Stanley G. H. Fitch, acted as toastmaster.

After the banquet, Henry F. Long, corporation commissioner of Massachusetts, spoke on the general question of taxation. Arthur T. Chase read a poem reviewing the activities of accountants in Massachusetts. John B. Niven, president of the American Institute of Accountants, spoke on the development of accountancy. Roland W. Boyden, president of the Boston Chamber of Commerce, reviewed the fiscal conditions of France. Harvey S. Chase presented an historical sketch of the Massachusetts So-

ciety. George R. Nutter, president of the Boston Bar Association, spoke on the necessity of the maintenance of professional standards.

There was a large attendance of members and guests.

### **New York State Society of Certified Public Accountants**

The board of directors of the New York State Society has adopted the following rules governing the formation of local chapters:

I. The purpose for which a chapter may be formed is to further the objects of this society, as stated in article II of the constitution, in its particular locality.

II. A chapter may be formed in any city of the state of New York by permission of the board of directors upon application in writing of not less than five members of the society, at least two of whom reside or have places of business in such city. Affirmative action by the board of directors shall constitute the applicants a committee of the society to form the chapter, with power to increase their number.

III. As soon as may be, following affirmative action by the board of directors, upon an application to form a chapter, the organization of such chapter must be completed by the election of officers, preparation and submission of by-laws, and the filing of an application for charter signed by not less than seven members of the society who shall also be members of the chapter. Not less than three confirmed copies of the proposed by-laws shall accompany the application for charter.

IV. The board of directors shall examine the proposed by-laws and the application for charter, and, upon approval thereof, will charter the chapter.

V. Chapter by-laws shall provide:

- (1) For officers, their election and term of office.
- (2) That membership shall be open to members of the society in good standing, and none other.
- (3) That officers of the society shall be ex officio members of the chapter, exempt from dues.
- (4) For the conduct of chapter affairs and the collection of such dues as may be adopted by the chapter.
- (5) That nothing contained in such by-laws shall change or alter the provisions of the constitution, by-laws and rules of the society.
- (6) That amendments shall not take effect unless and until approved by the board of directors of the society.

VI. Each chapter shall be at all times under the control and supervision of the society, shall forward to the office of the secretary of the society notices and minutes of all meetings, and its charter shall be subject to revocation for sufficient reason upon notice in writing of charges and an opportunity to be heard.

VII. These rules may be altered, amended or added to by the board of directors at any meeting thereof.

### **Pennsylvania Institute of Certified Public Accountants**

The annual meeting of the Pennsylvania Institute of Certified Public Accountants was held April 20, 1925, at the Manufacturers' club, Philadelphia. The business of the evening included reports of officers and committees, election of members and the election of officers and council members.

The officers elected for the ensuing year were Henry C. Magee, president; G. W. Kimball, vice-president; Will A. Clader, treasurer. R. J. Bennett was re-elected secretary.

Joseph M. Pugh, Horace P. Griffith and John R. Lynn were elected members of council for a term of two years. Ralph F. Wheeler was appointed auditor for the ensuing year. Fifteen applicants were elected to active membership.

Frank Wilbur Main, Pittsburgh, spoke on the activities of the Pittsburgh chapter of the Pennsylvania Institute. Horace P. Griffith, chairman of the committee on education and president of the state board to examine accountants, spoke on the formation of a quiz class to be conducted by two accountants and a lawyer to give those desirous of taking the state accounting examination an opportunity to prepare properly for the examination.

John R. Lynn, the retiring president, gave a brief summary of the Pennsylvania Institute's activities. He stated that since the enactment of the accounting law in 1899, 422 certificates have been issued by Pennsylvania. The total membership in the Pennsylvania Institute is 209, the increase in members during the year being 32.

He recommended that the organization establish headquarters where a suitable library of professional literature could be maintained. He further suggested that a fund should be raised among the members in order to provide the necessary equipment and to have an endowment fund for the future needs of the members.

An outing of the Pennsylvania Institute took place at the Seaview Golf club, Absecon, N. J., April 29th.

### **Rhode Island State Society of Certified Public Accountants**

At the annual meeting of the Rhode Island State Society of Certified Public Accountants held April 20th the following officers were elected for the ensuing year: George B. Clegg, president; Ernest L. Goodman, vice-president; George E. Comery, secretary and treasurer.

The executive committee consists of the president and secretary ex-officio and John J. Wall. A committee on public affairs is to be appointed shortly.

### **Washington Society of Certified Public Accountants**

A joint meeting of the Institute of Chartered Accountants of British Columbia, the Oregon State Society of Certified Public Accountants and the Washington Society of Certified Public Accountants will be held at Seattle May 22nd, the Washington society acting as host. Particulars concerning the meeting may be obtained from James M. McConahey, 1049 Henry building, Seattle, who is president of the Washington society.

## **STATE LEGISLATION**

Since the publication of the last bulletin the following state legislatures have adjourned: California, Colorado, Delaware, Maine, Massachusetts, Minnesota, New Hampshire, Pennsylvania, Rhode Island, Tennessee and West Virginia.

### **California**

A bill introduced in the legislature of California providing for the abolition of the state board of accountancy was defeated in the senate by a vote of 18 to 17. Protests against the enactment of this bill were made by officers of the Institute and by the committee on state legislation. Accountants in California exerted effective efforts to prevent enactment of the bill.

### **Michigan**

The committee on legislation of the Michigan Association of Certified Public Accountants prepared a bill which was introduced in the legislature of that state. The bill passed the senate unanimously on April 29th and has since passed the house and is now before the governor. The act provides that nominations for the state board shall be made by the Michigan Association of Certified Public Accountants. The following provision in regard to registration cards is of special interest:

"The board shall, in December of each year, issue a registration card to any holder of a C. P. A. certificate, or to any holder of a certificate of authority, which card shall be good until December thirty-first of the next succeeding year, charging therefor a fee of five dollars. A registration card shall also be issued to any firm or corporation which has complied with the provisions of section 12 or section 13, for which a fee of five dollars shall be charged. Interim registrations shall be issued to individuals, firms, and corporations who have complied with the provisions

of this act within the year. The board shall, in January of each year, prepare a printed register which shall contain, following a copy of this act, an alphabetical list of the names, certificate numbers, business connections and addresses of all certified public accountants to whom such registration cards have been issued for that year, and an alphabetical list of the names of the firms of certified public accountants to whom such registration cards have been issued for that year, together with an alphabetical list of the names, certificate numbers, business connections and addresses of all holders of certificates of authority to whom such registration cards have been issued for that year, and an alphabetical list of the firms and corporations practising public accounting to whom such registration cards have been issued for that year. A register shall be mailed to every person listed therein, to every county clerk, probate clerk, circuit court clerk and bank cashier in the state, and to such other persons or concerns as the board, in its discretion, may determine is for the public welfare. This register shall contain at the beginning the following statement: 'Any person receiving this list is requested to send the secretary of the Michigan State Board of Accountancy the name and address of any person, firm or corporation, known to be practising as a public accountant whose name does not appear in this register. The names of persons giving such information will not be divulged.' Failure to secure a registration card for any year shall not disqualify the holder of a certificate from securing a card for a future year, if the certificate holder decides to return to the practice of public accounting. When registration cards are secured after the annual register is issued, such individuals shall not be subject to the penalty prescribed in section 24, or section 25, provided the cards were secured prior to charges having been preferred against them that they were practising unlawfully."

Section 8 contains the following definition:

"A person, either individually, or as a member of a firm or corporation, shall be deemed to be in practice as a public accountant, within the meaning and intent of this act: (a) who holds himself or herself out to the public in



any manner as one who is skilled in the affairs of commerce and finance, particularly in the knowledge, science, and practice of accounting as relating thereto, and as qualified to render professional service as a public accountant for compensation; or (b) who maintains an office for the transaction of business as a public accountant, or who, except as an employee of a public accountant, practises accounting, as distinguished from book-keeping, for more than one employer; or (c) who offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit or verification of financial transactions and accounting records; or (d) who prepares or certifies for clients, reports of audit, balance-sheets and other financial accounting and related schedules, exhibits, statements, or reports which are to be used for publication or for credit purposes, or are to be filed with a court of law or with any other governmental agency, or for any other purpose; or (e) who, in general or as an incident to such work, renders professional assistance to clients for compensation in any or all matters relating to accounting procedure and the recording, presentation and certification of financial facts."

The terms "chartered accountant" and "certified accountant," and the abbreviation "C. A." are specifically prohibited as being *prima facie* misleading to the public.

There is also a provision in regard to rules for professional conduct. The act contains provisions for the recognition of certified public accountants and also for public accountants, somewhat resembling the Maryland law.

### **Minnesota**

The legislature of Minnesota adjourned April 22nd without enacting a bill which had been introduced to provide that "any person who before July 1, 1926 receives a diploma or certificate from the University of Minnesota, or from any recognized school of accounting certifying that he has completed the full course of instructions prescribed by such school and sustained a satisfactory examination thereon, and who served in the military or naval forces of the United States during the world war and received an honorable discharge therefrom, and who was disabled thereby within the purview of the various acts of congress of the United States and such disabilities have been recognized by the United States Veterans' Bureau, and in accordance therewith has received vocational rehabilitation and training in accounting shall upon proof of such facts and that he is an adult resident

of the state of Minnesota, of good moral character, be admitted to practice public accounting as a certified public accountant and shall have appended to his name the letters C. P. A. without examination and upon payment of the usual fee for such examination."

### **Pennsylvania**

The following act introduced in the legislature of Pennsylvania, providing for the audit of school districts and the employment of certified public accountants has passed both houses of the legislature and been approved by the governor:

AN ACT to further amend sections two thousand six hundred and three and two thousand six hundred and twenty-three of the act approved the eighteenth day of May one thousand nine hundred and eleven (Pamphlet Laws three hundred and nine) entitled "An act to establish a public school system in the commonwealth of Pennsylvania together with the provisions by which it shall be administered and prescribing penalties for the violation thereof providing revenue to establish and maintain the same and the method of collecting such revenue and repealing all laws general, special or local or any parts thereof that are or may be inconsistent therewith" authorizing school districts of the second class to employ certified public accountants in certain cases and providing for their compensation.

Section 1. Be it enacted by the senate and house of representatives of the commonwealth of Pennsylvania in general assembly met and it is hereby enacted by the authority of the same that section two thousand six hundred and three of the act approved the eighteenth day of May one thousand nine hundred and eleven (Pamphlet Laws three hundred and nine) entitled "An act to establish a public school system in the commonwealth of Pennsylvania together with the provisions by which it shall be administered and prescribing penalties for the violation thereof providing revenue to establish and maintain the same and the method of collecting such revenue and repealing all laws general, special or local or any parts thereof that are or may be inconsistent therewith" which was amended by section one of the act approved the twenty-ninth day of June one thousand nine hundred and twenty-three (Pamphlet Laws nine hundred and forty-nine) entitled "An act to amend sections two thousand six hundred and three and two thousand six hundred and twenty and section two thousand six hundred and twenty-three as amended and to repeal section two thousand six hundred and nineteen of an act approved the eighteenth day of May one thousand nine hundred and eleven (Pamphlet Laws three hundred and nine) entitled "An act to establish a public school system in the commonwealth of Pennsylvania together with the provisions by which it shall be administered and prescribing penalties for the violation thereof providing revenue to establish and maintain the same and the method of collecting such revenue and repealing all laws general, special

or local or any parts thereof that are or may be inconsistent therewith by providing for the audit of accounts of second and third class school districts by the city borough or township controller or auditor and fixing their compensation" is hereby further amended to read as follows.

Section 2603. In all school districts of the second and third class by the proper city borough or township controller or auditors therein *when in any school district of the second class the annual expenditures exclusive of moneys received from the sale of bonds shall exceed the sum of five hundred thousand dollars such district may employ a certified public accountant within sixty days from the close of the fiscal year.*

Section 2. That section two thousand six hundred and twenty-three of said act as last amended by section four of the said act approved June twenty-ninth one thousand nine hundred and twenty-three (Pamphlet Laws nine hundred and forty-nine) is hereby further amended to read as follows:

Section 2623. The compensation for auditors in school districts of the second and third class shall be five dollars (\$5.00) per day for each day necessarily spent by each auditor and the total expense for such auditing including the cost of filing the report advertising and other necessary costs shall be paid by the school district. *The compensation of any certified public accountants employed by any school district of the second class shall be fixed by the directors of such district and paid by the district.*

## Utah

Four budget bills introduced in the Utah legislature and sponsored by the Utah Taxpayers' Association were drawn by a committee of accountants, members of the American Institute of Accountants. The bills were passed with slight modification. The following extracts are of interest:

### *School Budgets*

Section 1. On or before May 1 of each year the superintendent of each school district in the state of Utah shall prepare and file with the board of education of his district a tentative budget which shall set forth in detail the revenues and expenditures of the preceding fiscal year, the estimated revenues and expenditures for the current fiscal year, his estimate of the revenues for the next succeeding fiscal year based upon the lowest rate of tax levy which, in his opinion, will raise the required amount of revenue using the current year's assessed valuation and his detailed

estimate of the essential expenditures of the district for all purposes for the next succeeding fiscal year. There shall accompany this tentative budget a statement showing the financial condition of the district by funds as at March 31 of the current year and also the estimated financial condition by funds at the close of the current fiscal year. This tentative budget shall be made immediately available for public inspection.

Section. 2. On or before June 30 of each year the board of education of each school district in the state of Utah shall adopt a budget for the next fiscal year and shall make appropriations to govern expenditures for said succeeding year, providing that notice of the meeting of the board for the adoption of said budget shall have been published in a newspaper of general circulation within the district at least one week in advance of the holding of such meeting and the public hearing shall have been allowed on the budget prior to its adoption. It shall be unlawful for any board of education to make any appropriation in excess of the estimated expendable revenue for the ensuing fiscal year. All unexpended balances of appropriations shall at the end of each fiscal year revert to the funds from which they were appropriated and any existing deficits arising through excessive expenditures from former years shall be deducted from the estimated revenue for the ensuing year, to the extent of at least 10 per cent of the entire tax revenue of the district for the previous year, in determining the estimated expendable revenue. Any budget appropriation may be reduced by action of the board of education at any regular meeting of the board of education provided notice of the proposed action be given to all members of the board and to the superintendent of the district at least one week in advance of such action.

Similar legislation in regard to budgets of cities of first and second class, cities of third class and counties were enacted. In the law relative to budgets for cities of the first and second class the following provision which seems to have been omitted from other budget bills appears:

No increase shall be made in any budget appropriation except upon written request of one of the commissioners setting forth the emergency or reason necessitating the request. Such written request shall promptly be made available for public inspection and no such request shall be allowed unless notice of the consideration of such request shall have been published in a newspaper of general circulation in the city at least one week in advance of the meeting at which such request shall be considered and public hearing shall have been allowed prior to the granting of such request.

## COURT DECISIONS AFFECTING ACCOUNTANCY

### New Jersey

In a decision handed down by the court of errors and appeals of New Jersey, October 27, 1924, in *Sutter vs. Security Trust Company*, the court defines the right of a maker of a cheque which has been certified

by the bank, either at his request or that of the payee, to stop payment on it. The court rules that a drawer of a cheque which has been certified at his request before delivery may recall it and require the certifying bank to refuse payment to the payee named there-

in, if the payee is not a bona fide holder for value but has obtained the cheque by fraud perpetrated by him upon the maker. Upon suit by the payee named in the cheque against the certifying bank upon its refusal to pay, after notice on the drawer to stop payment, for reasons showing the payee not to be a bona fide holder thereof for value, the bank can urge and have the benefit of any defense that the drawer could have against such payee, establishing that such payee obtained the instrument or any signature thereto by fraud, duress or force and fear, or any other unlawful means or for an illegal consideration. The right of a maker of a cheque certified at his request before delivery is the same against an endorsee holder, who is not a holder in due course, as is his right to stop payment against the payee who is not a bona fide

holder for value. Such rule has no application to the certified cheque held by a payee who is a bona fide holder for value, nor to a holder in due course.

In a decision handed down in the supreme court in Oklahoma, December 9, 1924, in the case of *Stout vs. Mott*, it was held that a broker employed to secure property of a certain character for a purchaser is entitled to his commission, if during the continuance of his agency, he is the efficient or procuring cause of the execution of the contract, though the actual agreement is made with the owner of the property, and the broker will be regarded as the procuring, efficient cause, if his efforts are the foundation upon which the negotiations resulting in the purchase are begun.

## **SPEECH REVIEWS**

### **WILLIAM CLABAUGH—"BOARD OF TAX APPEALS AND ITS POSSIBILITIES"**

Addresses delivered January 6, 1925 before the Waynesboro Rotary Club and January 8, 1925 before the Winchester, Virginia Rotary Club.

Mr. Clabaugh pointed out it was not until comparatively recent years that business men realized that the government intended really to supervise their affairs, and that an income tax is an important administrative matter. While the business man may feel that the filing of his return finishes that particular business, the government holds a different view-point. He described the many reviews and examinations to which income-tax returns are subject. The speaker reviewed the efforts to establish an impartial tribunal for the review of tax matters.

### **LEWI GLUICK—"EXPERT ACCOUNTING"**

Article in September, 1924 issue of the *Sample Case*.

In the announcement of Mr. Gluick's article the editor said that it is educational and made the comment that there appears to be no widespread knowledge of what the public accountant is and the services he renders. He adds that it is a distinct profession called into existence by the increasing demands of business. The author describes the certified public accountant in the words of the law of New York state as "a citizen of good moral character, who shall have received from the regents a certificate of his qualifications to practice as a public expert accountant." Mr. Gluick then sets forth the difference between an ac-

countant and a public accountant. The public accountant is one who has acquired experience and a broad theory of accounting and its application to many diversified lines of commercial, financial and industrial enterprises and offers this skill and knowledge to the public. The old duty of the public accountant to come in and find out how much the cashier had stolen and how he did it has long since become of minor importance. The business man now believes in prevention and so has resorted to the periodic audit. The author speaks of the demand for accountants' services created with the advent of high income-tax rates in 1917. He enumerates some of the businesses which now demand the services of accountants which formerly did not feel the need of such assistance. He reviews the steps taken to protect the public by accountancy laws in the states which set up high requirements for the issuance of certificates and advises business men to choose their accountants as carefully as they choose their physicians and attorneys.

### **EDWARD E. GORE—"COÖPERATION INSTEAD OF COMPETITION"**

Address delivered before Coal Merchants Association of Chicago, March 9th.

The speaker pointed out that it frequently occurs in the retail coal business that the merchant does not know what the cost of doing business amounts to and does not seem to appreciate the various items that go into the makeup of his costs. He then proceeded to enumerate some of the items entering into costs, such as freight inbound, storing at yards, rent of yards, yard labor, office expenses, selling expense, delivery expenses, depreciation on yard equipment, depreciation on trucks, repairs

to trucks, collection expenses, proprietor's services, rental value of owned yards, bad debts, taxes and license fees, loss in handling, and insurance. The speaker expressed the belief that there is an excess of competition in the coal business and that there are too many dealers for the amount of coal to be distributed. He stated that competition was long described as the life of trade, but pointed out that that description does not fit in these modern times. It may be accurate to say that competition, as it was understood in those days, has changed in its character and is carried on in another way. The intelligent competition of today could be better described as coöperation. This means that the people engaged in a given industry have learned that if they will confine their efforts to the improvement of the industry itself, they can safely take their chances of individual participation in the benefits. The speaker made the statement that most of the growth of business in the last ten years has been accomplished in this manner. The speaker then stressed the necessity of giving service if business is to be gained.

**W. MAYORS—"THE RELATION OF PROFESSIONAL ACCOUNTANTS TO ACCOUNTING INSTRUCTION."**

Paper delivered before American Association of University Instructors in Accounting, December 30, 1924, Chicago, Illinois.

Mr. Mayors approached his subject from the viewpoint of the public accountant with the purpose of making suggestions as to how students may be trained so as to be best prepared to take up work as junior assistants. He expressed the hope that instructors would always have in mind the practical side of accounting, even though the instruction given in colleges and universities must be largely of a theoretical nature. He outlined the duties of the inexperienced junior during his first two years. Instructors should satisfy themselves that students know how to check footings of cash-books and other records. He expressed the belief that it is more essential for the assistant to be able to check footings without the use of an adding machine than it is for him to be able to operate such machines. The average assistant, he said, often shows a lack of training and preparation in writing, not only as to the use of proper business English but also a lack of neatness in preparing schedules and other working papers. He believed that instructors should insist not only on neat handwriting but also on attractive arrangement of figures. Graduates are frequently better fitted to deal with the problems of the senior accountant than with the work that will be given them when they enter the practical field. He believed that all instructors of accountancy should have had a certain amount of practical training in auditing. The speaker's plea was for more practical training and preparation of students, but he did not believe this should be accomplished at the expense of theoretical and educational aspects of accounting.

**JOSEPH H. VAN DORN—"INHERITANCE TAXES—THE RISING TIDE OF CONFISCATION BY TAXATION"**

Article published in the November, 1924, Philadelphia Chamber of Commerce *News Bulletin*.

The writer states that the action of the federal government in increasing the rates of the estate tax, and adding a gift tax, in the revenue act of 1924, has focused attention on the far reaching effect of the inheritance tax levies. In the period between September 9, 1916, when the federal estate tax was applied, to the closing of the fiscal year ending June 30, 1924, there were filed approximately 56,000 estate tax returns, reflecting in the aggregate estates worth \$12,000,000,000.00, upon which a total tax of more than \$660,000,000.00 was collected. The average amount of tax per estate under the federal law for this period was \$11,791.06. No data are at hand, according to Mr. Van Dorn, as to the amount received by the various states, but it is estimated by various authorities at about \$100,000,000.00 a year for all the states. These death duties are a comparatively minor source of revenue to the taxing power, but are the most important personal taxes levied against the taxpayer. Incidentally it is the one form of taxation concerning which he has the least information. Mr. Van Dorn describes inheritance tax laws as onerous and discriminatory and said the economic evil they do far outweighs any benefit derived. Carried to their logical conclusion, they mean confiscation of property at death. They tend to destroy personal ambition and curb the business man from entering upon new enterprises. They put a premium on secret hoarding, subterfuge and evasion. The writer quotes Secretary of the Treasury, Andrew W. Mellon as saying that "It has become notorious in recent years that whenever a man of means dies leaving his estate obligated to pay large amounts by way of taxes there is an immediate decline in all classes of securities in which he is known to have been interested." Mr. Van Dorn makes the point that regardless of the legal theories upon which these laws are based, the effect is that of a capital levy at a most inopportune time. There is a shrinkage of capital by the amount of these taxes levied, also a material shrinkage due to the forced liquidation of assets to produce cash for the payment of these taxes. There is also an increased expense of administration and often the loss of favorable markets for estate assets. The average shrinkage in ninety estates administered before the adoption of the revenue act of 1924, of which a survey was made, was 24 per cent. The writer makes the point that the laws do not affect all taxpayers equally, as the circumstances surrounding each individual are different from those of every other individual. Of two estates valued equally, one may be subject to a purely nominal tax, while the other may be found the subject of a multiplicity of taxes which may

wipe it out completely. Mr. Van Dorn describes the operation of these laws as unfair to the taxpayer. Special effort is made in most of the statutes to tax non-resident decedents. The result is that a resident of one state may unknowingly become subject to a bewildering multiplicity of the taxes of other states. He cites the case of a resident of Pennsylvania upon whose estate inheritance taxes were levied by twenty-two states and the federal government.

**URBAN F. VON ROSEN—"GETTING TAXES INTO COSTS"**

Delivered February 18, 1925, before the Cleveland Chapter, National Association of Cost Accountants.

Mr. von Rosen classified taxes as direct and indirect. Stamp taxes were mentioned as part of the indirect tax group, and the speaker stated that they could properly be classified as administrative expenses. Direct taxes affecting manufacturing and commercial concerns in the state of Ohio, excluding public utilities and businesses, subject to an occupational tax, include the state capital-stock tax, the federal capital-stock tax, real and personal taxes and the federal income tax. An Ohio corporation would, on the average, pay three-twentieths of one per cent as the state capital-stock tax. It would pay one dollar per thousand dollars of the combined capital stock and surplus in excess of \$5,000 as a federal capital-stock tax. It would pay taxes to the county at the rate of about \$2.19 per \$100. It would pay a federal income tax of 12½%, assuming that it made a profit equal to 10% of its net worth, or 15%, of its outstanding capital stock. Taking an estimate cost of a corporation having net assets of \$150,000 of intangible property and represented by outstanding capital stock of \$100,000 and a surplus of \$50,000, the corporation would pay \$4,110. The federal and the state capital stock taxes are of little consequence as compared with the federal income tax and the real and personal taxes. The stock taxes are a tax for the privilege of doing business and are assessed against the business as a whole and should be classed as administrative expenses.

Federal income taxes have usually been looked upon as a division of profits to the government and the practice among accountants in setting up a reserve for federal income taxes has been to make the charge against the surplus account, or if no reserve be set up at the close of the year to charge the payments as made to the surplus account. The speaker pointed out that there is one grave danger in this. Federal taxes, of course, must be met out of the profits of the business and net profit is, in the true sense of the word, net profit only after deducting income taxes. The income taxes must be taken into consideration as part of the total cost, and must be included with material, direct labor, manufacturing burden, selling expenses and administrative expenses. In determining the standard burden rate for the various departments of a plant, the total book value of the fixed assets is first distributed to the various departments or burden centers. The fixed charges for land and buildings would be distributed to each department in proportion to the area used by each. These charges would include the taxes on the land and the taxes, insurance, and depreciation of the buildings. The taxes, insurance and depreciation of machinery and equipment would be distributed on the basis of the value to the equipment in each department. Fixed charges on delivery equipment would be treated as a selling expense. Insurance, taxes and depreciation on office equipment would be treated as an administrative expense. Fixed charges on average inventories are properly a burden that should be distributed on the basis of material processed. The budget of manufacturing expenses would be completed by the inclusion of heat and light, indirect labor, supplies, power, repairs and other manufacturing expenses. The total expense based on normal production as budgeted for each department would then be divided by the normal production expressed in hours, direct labor or other units to determine the standard rate which would then be used in all cost computations. The amount by which the actual manufacturing expenses exceed the amount absorbed at the standard rates is actually a loss due to the fact that the production of the plant is not up to normal. The speaker described as ridiculous the attempt to distort any cost figures by including this item.

**OBITUARY**

**George Woodhall**

George Woodhall, member of the American Institute of Accountants died April 20, 1925, at his home, Uniontown, Pennsylvania

after a long illness. Mr. Woodhall was born at Birmingham, England in 1856 and came to the United States when fourteen years of age. He is survived by two daughters.

**HERE AND THERE**

Cumming & Walton announce the removal of their offices in Pittsburgh from the Arrott building to the tenth floor of the Fulton building.

Davies & Davies, 103 Park avenue, New York announce that Bernard M. French has been admitted to partnership in the firm, the firm name remaining unchanged.

Harry P. Baumann and Kenneth B. Elliott announce the formation of a partnership, practicing under the firm name of Baumann, Elliot & Co., with offices in the Continental & Commercial National Bank building, 208 South La Salle street, Chicago, Illinois.

Blinken, Philip & Co. announce the removal of their offices to 245 Broadway, New York.

Brindze & Brindze announce the opening of an office in the Tower building, 6 N. Michigan avenue, Chicago, Illinois.

Byrne, Lindeberg & Byrne, 30 Broad street, New York announce the dissolution of partnership by mutual consent.

Jos. L. Caballero and Henry J. Miller announce that they are conducting a practice under the firm name of Caballero & Miller with offices at suite 1000-A Canal Commercial building, New Orleans, Louisiana.

Chester P. Child, Harry M. Smith and George R. Young announce the formation of a partnership under the firm name of Child, Smith & Young with offices in the Waterbury National Bank building, 193 Grand street, Waterbury, Connecticut, and with New York offices in the National City building, 17 East 42nd street.

Fox & Helm announce the opening of offices at suite 402 National Bank of Commerce building, St. Louis, Missouri.

H. C. Goettsche & Co. announce the removal of their offices to 729-32 Chicago Stock Exchange building, 30 North La Salle street, Chicago, Illinois.

Hutchinson & Smith announce the removal of their offices in Dallas to the Santa Fé building.

Julius Hirschfield announces the removal of his offices from 110 E. 42nd street to 317 Broadway, New York.

Arthur H. Huene announces the resumption of practice under his own name with offices at 51 Chambers street, New York

Charles Hecht & Co. announce the removal of their offices to the Johns-Mannville building, 292 Madison avenue, New York.

Fillmore Horwich & Co. announce the removal of their offices to 1208-1210 Burnham building, 160 North LaSalle street, Chicago, Illinois.

George E. Hutchison announces the removal of his office from 21 East Van Buren street, Chicago, to the McCormick building, 332 S. Michigan avenue, Chicago, Illinois.

A. P. Jones and L. A. Oates announce the formation of a partnership under the name of Jones, Oates & Co., with offices in the Congress building, Miami, Florida.

Wayne Kendrick announces the opening of an office in the Hibbs building, Washington, D. C.

David S. Kerr and Gordon S. J. Payne announce the dissolution of the firm of Kerr, Payne & Co.

Mr. Kerr will practice at 408 Dominion Express building, 145 St. James street, Montreal.

Mr. Payne will practice under his own name at 708 Bank of Nova Scotia building, 263 St. James street, Montreal.

Ethel S. Kingman, Somerville, Massachusetts has been elected a member of the Massachusetts Society of Certified Public Accountants.

A. J. Krasner announces the removal of his offices to 1440 Broadway, New York.

Lybrand, Ross Bros. & Montgomery announce the removal of their Boston office to the new Chamber of Commerce building, 80 Federal street.

Morton & Berman announce the removal of their offices to 1440 Broadway, New York

Walton, Joplin, Langer & Co. announce the removal of their offices to suite 1507-8-9 Bell building, 307 North Michigan avenue, Chicago, Illinois.

M. E. J. Papke & Co. announce the removal of their offices to 208 So. La Salle street, Chicago, Illinois.

Patterson & Ridgway of New York announce that Franklin C. Ellis has been admitted to partnership.

Charles H. Plate announces the opening of an office at 1403 Boatmen's building, St. Louis, Missouri.

Theodore R. Racoosin announces the removal of his offices to 1440 Broadway, New York.

Robinson, Olshen and Rabbin announce the removal of their New York offices from 1 Madison avenue, to 1440 Broadway.

Charles P. Rupp and Walter B. Bailey, San Francisco, announce the dissolution of partnership.

Walter B. Bailey announces the opening of an office at 255 California street, San Francisco, California.

Charles P. Rupp announces the opening of an office at 209 California street, San Francisco, California.

Frank Loeb Schneider Co. announce the removal of their New York offices to 1440 Broadway.

Smith, Scheuring & Jonet, Green Bay, Wisconsin, announce the dissolution of partnership.

Clifford I. Smith, G. M. Ellingson and M. H. Schuldes announce the formation of a partnership practising under the firm name of Smith-Ellingson-Schuldes Co., with offices at 311 Minahan building, Green Bay, Wisconsin.

Louis W. Scheuring and Frank J. Jonet announce the formation of a partnership, practising under the firm name of Scheuring-Jonet Co., with offices at 312 Minahan building, Green Bay, Wisconsin.

Oreste A. Stabile announces the removal of his New York office to 291 Broadway,

Stagg, Mather & Co., announce the removal of their New York office to 141 Broadway.

Ward, Fisher & Company announce the removal of their offices to Gas Company building, Providence, R. I.

Frederick S. Willett, H. William Fick and J. Russell Wharton announce the formation of a partnership, practising under the firm name of Willett, Fick & Wharton, with offices at 821-30 J. M. S. building, South Bend, Indiana.

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The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

Harry D. Anderson, member of the Institute, addressed the members of the Lions Club of Syracuse at its weekly luncheon, April 24th.

Wilford A. Beesley, a member of the Institute in Utah, has accepted membership on the board of the National Travelers Aid Society.

A. T. Chase, a Boston member of the Institute, is treasurer and a member of the executive committee of the Massachusetts Society of Certified Public Accountants, and of the northeast regional division of the Institute.

Harvey S. Chase, a Boston member of the Institute, delivered an address before the Massachusetts Society of Certified Public Accountants on the history of the origin and progress of the society. A pamphlet has been published which embraces this subject.

William H. Compton, an associate of the Institute, spoke on the crime tendency before the Comitas Club of Trenton on April 12th.

J. P. Dawson, a member of the Institute of Portland, Oregon, addressed the City Club of Portland, April 24th, on commercial arbitration.

John A. Cooke, a member of the Institute, was elected a director of the Worcester chapter of the National Association of Cost Accountants, at the annual meeting held April 9th.

Howard F. Farrington, of Watertown, New York, delivered an address on clean sportsmanship before the Jefferson County Fish and Game Protective Association, April 17th, and on some phases of federal tax matters before the Cost Association of the Paper Industry, April 21st. Mr. Farrington is commissioner of education, City of Watertown, vice-president of the Watertown Chamber of Commerce, president of the Watertown Chapter of the American Red Cross, and president of the Jefferson-Lewis Council, Boy Scouts of America.

Maurice V. Genez, a New York member of the Institute, was the author of an article—the accountant and the underwriting of securities—which appeared in the April issue of the certified public accountant.

Harold Dudley Greeley, of New York, addressed the members of the Philadelphia chapter of the National Association of Cost Accountants, May 5th, on the use of charts by managements in determining their policies.

Joel Hunter, of Atlanta, Georgia, addressed the Joe Brown Junior High School on April 3rd on the elements of success in business. As chairman of the committee on schools and education of Atlanta Chamber of Commerce, he attended various meetings for the purpose of compiling a text book on the history of Atlanta for use in the schools of that city.

Albert E. Keller, a member of the Institute of Denver, Colorado, was the author of a short article which appeared in the April issue of the Mountain States Banker on protecting cheques.

Ellis LeMaster, a Spokane member of the Institute, has been delivering ten minute talks over the radio from a local broadcasting station on accounting and income tax subjects for a period of six weeks, two talks a week.

W. W. Larkin, a member of the Institute, of Manila serves on committees of various organizations—Boy Scouts, Hospital for Crippled Children, American Association, Red Cross, and one to assist and entertain tourists visiting Manila. During January Mr. Larkin audited the accounts of several charitable societies.

John T. Madden, a New York member of the Institute, addressed the Eastern States Gas Conference, American Gas Association, at Newark, N. J. on April 23, on the subject of education and industry. On April 25th, at the Commodore Hotel, New York, he delivered a speech before the New York Philadelphia Conference Railroad Treasurers on public relations.

Richard S. Wyler, of Kansas City, Mo., an Institute member addressed the tent and awning manufacturers' convention at Kansas City, January 14th, on "Accounting as an aid to the business man."

A. G. Potter, of Cleveland, a member of the Institute, spoke on the subject of the calendar year versus the fiscal year at the meeting of the Northern Ohio chapter of the Institute, at Cleveland, April 11th.

F. A. Wright, an Institute member, addressed the chamber of commerce cost accountants group at the City club of Kansas City, March 6, on standard classification of expense factors in retail store accounting. He also was appointed a member of the mayor's committee of 100, known as the Kansas City Improvement Association, to determine the major needs of the city.

William J. Robinson, an Institute member of Los Angeles, California, has been appointed auditor of the commercial board of Los Angeles, an organization of business and professional men.

O. W. Schleeter, a member of the Institute of Charleston, South Carolina, addressed the Rotary Club of that city on April 7th, on the subject of the budget as a means of financial control. The necessity for a reasonable profit was the basis of a speech before the Retail Merchants' Bureau, April 22nd.



Ernest A. Roden, of Cincinnati, Ohio, an Institute member, has been appointed a member of the committee on arbitration of the Cincinnati chamber of commerce.

James P. Robertson, a member of the Institute of Seattle, Washington, spoke on automotive accounting and expense distribution at a meeting of the Industrial Management Council, held in Portland, Oregon, April 21st.

Fletcher Ruark, a Canadian member of the Institute, spoke before the Mercury club of Montreal, March 10th, on "Why reparation payments upset world trade."

Theodore I. Schneider, of New York, a member of the Institute, addressed the Merchants Ladies Garment Association, January 19th at Hotel McAlpin on "Budgetary control."

Hiram T. Scovill, an Institute associate of Urbana, Illinois, addressed the Illinois Manufacturers' Cost Association on cost, selling price and consumers at the meeting held in Chicago, March 17th.

Walter A. Staub, an Institute member of New York, spoke on February 24th to the executives and plant managers of the Philadelphia plant of the General Electric Co. on business and finance. Mr. Staub is a member of the board of education of Milburn township, New Jersey.

Edward J. Stegman, Baltimore member of the Institute, acted as toastmaster at the annual banquet, held in April, of the Washington School of Accountancy.

Lewis Wintermute, a member of the Institute in Cleveland, addressed the Ohio Society of Bank Auditors at Columbus, Ohio, May 9th on preparation of bankers' published statements.

Urban F. von Rosen of Cleveland, Ohio, addressed the Lakewood Parent Teachers' Association of Cleveland, February 17th, on "Business Methods" and on February 18th addressed the Cleveland chapter, National Association of Cost Accountants, on "Getting taxes into costs."

A. C. Upleger, an Institute member of Waco, Texas, delivered an address on January 12th on the certified public accountant before the student body of Baylor University. On the same day he used the certified public accountant and the income tax laws as the basis for his speech before Tyler commercial college. He addressed the Kiwanis club of Waco on January 30th, taking the 1924 income tax law as his topic. The *Chamber of Commerce News* published his article, "Waco's prospects for 1925 and needful improvements," in the January 1st issue. Mr. Upleger served as chairman of the nominating committee of the board of advisors of the Waco community chest, and also served as a member of the organization committee of the Waco baseball club.

George A. Treadwell, an Institute member of New Orleans, has been reappointed a member of the postal facilities committee of the association of commerce of that city.

F. Cornelius Wandmacher an associate of the Institute, of Brooklyn, N. Y., has been active as executive secretary of the Flatbush Taxpayers' and Civic Association, and as editor of the organ of that association, *The Flatbush Taxpayer*. In the January issue there were two of his articles, traffic resolutions and cross words, and transit probe started. The February issue contained four of his articles, on educational facilities, on voting machines, on transit, and on a central library. More or less transit, and income and other taxes and methods, were two of his articles that appeared in the March number.

A. J. Watson, an Institute member of San Francisco, served at the request of the chamber of commerce of that city on the special committee which cooperated with the business men of Fresno in establishing a cotton press in the San Joaquin valley. Mr. Watson is also acting as chairman of a sub-committee of the chamber of commerce to assist the Wearing Apparel Manufacturers' Association in financing the construction of a building in which to house a number of small manufacturers in that business. Mr. Watson was elected a member of the city council (four-year term) of San Mateo, California, April 7th.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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JUNE 15, 1925

SERIES B, No. 14

### Annual Meeting

Arrangements have been made by the committee on meetings for holding the 1925 annual meeting of the American Institute of Accountants at the Hotel Washington, Washington, D. C.

The meeting is to be held September 15th and 16th. There will be the usual council meetings of the 14th and 17th, and the board of examiners in accordance with custom will invite members of state boards of accountancy to attend a general meeting to be held on the afternoon of September 14th. The programme for the meeting is now in course of preparation and will be available some time before the date of the meeting. Arrangements for several important papers are being completed and announcement of the subjects and authors will appear in the near future.

Members and associates are urged to make their reservations for the meeting as soon as they can do so. The hotel promises to assign comfortable accommodations to all who attend if reservations are made early.

### Chamber of Commerce of the United States

At the annual meeting of the Chamber of Commerce of the United States of America held in Washington, May 19th to 22nd the following report, of special interest to accountants, was received:

"The chamber has frequently spoken in favor of the reduction of the federal income taxes, urging repeal of the war excise taxes affecting particular businesses, and has advocated the creation of such a body as the board of tax appeals which has already by its expedition and clarity fully justified the expectations of the benefits that would follow.

"The resolutions committee has had before it a number of proposals for reforms in the federal revenue law. The subject is so large and complicated that it would be inexpedient to offer resolutions covering the various phases of the law. Your committee therefore recommends that the board of directors appoint a committee to study carefully the whole subject of federal taxation giving particular attention to the suggested changes which have been submitted to this committee."

This matter is reported by Edward E. Gore, who represented the Institute at the meeting of the Chamber of Commerce.

### International Chamber of Commerce Meeting

Ernest W. Seatree and Arthur M. Lovibond, members of the Institute, have been appointed representatives of the Institute to attend the International Chamber of Commerce meeting which is to be held at Brussels, Belgium, June 21-28, 1925.

### Petitions in Bankruptcy

The supreme court of the United States made effective on April 13, 1925, seven additional rules which were established as new general orders in bankruptcy and at the same time amended general order number 5 which refers to the framing of the petition. These new general orders and the amendment are designed to correct many of the evils in bankruptcy practice of which complaints have been made by accountants, business men and attorneys.

Reference was made in letter-bulletin 3 on credit frauds, issued by the committee on public affairs, to practices in bankruptcy procedure of which complaints were made by the business public. The new general orders are expected to cure the ills of which complaints were made.

General order number 5, entitled "Frame of Petition" is amended by adding to the end thereof: "Petitioners in involuntary proceedings whose claims rest upon assignment or transfer from other persons, shall annex to one of the duplicate petitions all instruments of assignment or transfer, and an affidavit setting forth the true consideration paid for the assignment or transfer of such claims and stating that the petitioners are the bona fide holders and legal and beneficial owners thereof and whether or not they were purchased for the purpose of instituting bankruptcy proceedings."

The following rules were added as general orders in bankruptcy:

XXXIX

*Representation of Creditors by Receivers or Their Attorneys*

Neither a receiver nor his attorney shall solicit any proof of debt, power of attorney, or other authority to act for, or represent, any creditor for any purpose in connection with the administration of the estate in bankruptcy or the acceptance or rejection of any composition offered by a bankrupt.

XL

*Receivers and Marshals as Custodians*

A receiver or marshal appointed by the court to take charge of the property of a bankrupt after the filing of a petition, shall be deemed to be a mere custodian within the meaning of section 48 of the bankruptcy act, unless his duties and compensation are specifically enlarged by order of the court, upon proper cause shown, either at the time of the appointment or later.

XLI

*Waiver of Right to Share in Composition Deposits*

Before confirming a composition the judge of the court shall require all creditors and other persons who may have waived their right to share in the distribution of the deposit made by the bankrupt, for claims, fees or otherwise, to set forth in writing and under oath all agreements with respect thereto with the bankrupt, his attorney or any other person, and shall also require an affidavit by the bankrupt that he has not directly or indirectly paid or promised any consideration to any attorney, trustee, receiver, creditor, or other person in connection with the composition proceedings except as set forth in such affidavit or the offer of composition, and that he has no knowledge of any such payment or promise by other party.

**REGIONAL MEETINGS**

**Cincinnati**

The eighth regional meeting of the Institute for the district comprising western New York, western Pennsylvania, West

XLII

*Compensation of Attorneys, Receivers and Trustees*

1. Every attorney, receiver and trustee seeking an allowance of compensation from a bankrupt estate for services rendered, shall file with the referee a petition under oath, setting forth a full and detailed statement of such services and the amount claimed therefor, and, in the case of an attorney or receiver, the amount of the partial allowance, if any, theretofore made. And such petition shall be accompanied by an affidavit of the applicant stating that no agreement has been made, directly or indirectly, and that no understanding exists, for a division of fees between the applicant and the receiver, the trustee, the bankrupt, or the attorney of any of them. In the absence of such petition and affidavit no allowance of compensation shall be made.

2. Such petition shall be heard at a meeting of creditors; and the referee in sending the notice of such meeting prescribed by section 58 of the bankruptcy act, shall state by whom and in what amount the allowance of the compensation is asked.

XLIII

*Fees and Expenses of Attorneys for Petitioning Creditors*

The court may deny the allowance of any fee to the attorney for petitioning creditors or the reimbursement of his expenses, or both, if it shall appear that the proceedings were instituted in collusion with the bankrupt or were not instituted in good faith.

XLIV

*Appointment of Attorneys for Receivers or Trustees*

In any district in which there is a city having at the last federal census a population of 250,000 or more, no attorney for a receiver or a trustee shall be appointed except upon the order of the court, which shall be granted only upon the petition of the receiver or trustee, stating the name of the counsel whom he wishes to employ, the reasons for his selection, and the necessity for employing counsel at all; and there shall be submitted with this petition an affidavit of the person recommended, showing that he is not employed by or connected with the bankrupt or any person having an interest adverse to the receiver, trustee or creditors.

XLV

*Auctioneers, Accountants and Appraisers*

No auctioneer or accountant shall be employed by a receiver or trustee except upon an order of the court expressly fixing the amount of the compensation or the rate or measure thereof. The compensation of appraisers shall be provided for in like manner in the order appointing them.

Virginia, Ohio and Indiana, held May 23rd at Cincinnati, Ohio, was largely attended and an excellent programme was presented.

C. R. Whitworth, Chicago, spoke on the

misrepresentation phase of credit frauds, outlining the methods resorted to by business crooks who undertake to defraud. Harold Worthington, Cleveland, spoke on that phase of credit frauds in which assets are diverted. An interesting discussion followed both of these addresses.

After a recess for luncheon, George S. Olive, Indianapolis, spoke on bankruptcy, the third phase of credit frauds. Mr. Olive pointed out that since the publication of letter-bulletin 3 on credit frauds by the committee on public affairs, in which reference was made to complaints of accountants, business men, credit men and others against certain bankruptcy procedures, the United States supreme court had issued several new general orders in bankruptcy designed to correct the procedures of which complaint had been made. These new general orders are printed elsewhere in this bulletin.

Clay Herrick, vice-president and credit manager of the Guardian Trust Company, Cleveland, spoke on credit frauds from the banker's viewpoint and gave an interesting description of the attitude of bankers toward applications for credit and of the standards applied in determining whether an application was worthy. He stated that much more attention is paid by bankers to applicants who supply financial statements certified to by accountants than to those who come with uncertified statements.

John R. Richey, an attorney of Cincinnati and an officer of the Cincinnati Association of Credit Men, spoke on the careless creditor. He advocated the enactment at the earliest possible date of legislation preventing the practice of public accountancy by any except those who are registered and authorized by the state. He offered the services of the Cincinnati Association of Credit Men in bringing about the enactment of such legislation in Indiana.

A. P. Richardson, secretary of the Institute, spoke of recent activities of the Institute and of the progress that it is making.

Ernest A. Roden, president of the southern Ohio chapter of the Institute, presided. Indianapolis was chosen as the place for the meeting to be held in November and George S. Olive of that city was designated as chairman of the committee in charge of arrangements for the meeting.

D. C. Keller of Cincinnati presided at the informal dinner at Hotel Gibson in the evening. Homer S. Pace, chairman of the committee on public affairs, spoke on the relation of the accountant to public service and described the opportunity for service that confronts the public accountant. J. G. Korner, Jr., chairman of the United States board of tax appeals, spoke on presentation of appeals before the board of tax appeals. His address was so timely and of such importance to accountants that it will be printed in full in the July number of *The Journal of Accountancy*, and advance proofs have been sent to all members and associates of the Institute.

W. H. West, vice-president of the Institute, delivered a message from the secretary of the treasury, Andrew W. Mellon, as follows:

"I hope that you will extend my cordial greetings to the members of the American Institute of Accountants on the occasion of their annual convention at Cincinnati on May 23rd.

"The treasury appreciates the way in which the officers and members of the Institute have cooperated with us in maintaining a high standard of ethics and professional conduct among accountants engaged in tax practice before the treasury department.

"In assisting the taxpayer to make his return and to prepare his case for proper presentation to the government authorities, an accountant is rendering a public service; and it is to the interest, therefore, of the taxpayer, the government and the accountant himself that the service rendered should be honest and efficient and in accordance with the highest standard of professional ethics. The American Institute of Accountants is doing much to facilitate the work of the government in so far as practice before the treasury is concerned."

The committee in charge of the regional meeting was warmly commended for the completeness of its arrangements and the excellent programme presented.

### **Midwest Region**

The ninth regional meeting of the mid-west district of the American Institute of Accountants was held at Dallas, Texas, May 7th, 8th and 9th. Representatives from the principal centers of activity in the district were present and there was also a large attendance of accountants and persons interested in accounting resident in and about Dallas and Fort Worth.

At the opening session on May 7th, Dr. W. M. Anderson, of the First Presbyterian church, offered the invocation. Addresses of welcome were delivered by Barry T.

Miller, lieutenant governor of Texas, John C. Harris, mayor pro tem. of the city of Dallas and Charles Saville, manager, chamber of commerce of Dallas. A response to the addresses of welcome was delivered by Herbert M. Temple, St. Paul, Minnesota.

At 11 o'clock George M. Hofford delivered an address on the subject of "The involuntary loan." This address was followed by general discussion.

Upon resumption of business after luncheon L. U. Crawford, of Kansas City, addressed the meeting on the subject of building and loan associations. Charles D. Hamel, former chairman of the United States board of tax appeals, spoke on the accomplishments of the United States board of tax appeals. Both addresses were followed by general discussion.

At 6.30 an informal dinner was held at the Jefferson hotel and was followed by a theatre party.

At the opening session on Friday A. P. Richardson, secretary of the American Institute of Accountants, spoke on the work of the Institute. H. B. Hall addressed the meeting on the subject of appraisals. The meeting adjourned at noon until 7 o'clock in the evening. The afternoon was spent by most of the members on the golf courses of Dallas.

At the banquet in the evening the toastmaster was Herbert M. Temple. Invocation was offered by Bishop Harry T. Moore of the Protestant Episcopal diocese of Dallas. Speeches were delivered by John B. Niven, president of the American Institute of Accountants, A. P. Richardson, secretary of the Institute, George C. Hopkins, collector of internal revenue, Edward E. Gore, Chicago, and Charles D. Turner, Dallas.

At the morning session on Saturday,

May 9th, a paper was read by Joseph McElroy, Dallas, and followed by discussion.

The meeting then resolved itself into a business session. It was unanimously resolved that the region represented at the Dallas meeting should be divided into two districts, namely, the northern Mississippi valley and the southern Mississippi valley. Charles R. Whitworth of Chicago was elected chairman of the northern district, and Chicago was selected as the place of the November meeting. George A. Treadwell was elected chairman of the southern district, and it was resolved that the November meeting should take place at New Orleans.

The meeting adjourned at noon.

### **New London**

The regional meeting of the New England district of the American Institute of Accountants will be held at the Hotel Griswold, Groton, Connecticut, on Friday, June 26th. The principal speakers at the meeting will be Homer N. Sweet and Harold Dudley Greeley, who will speak on "Qualified and amplified certificates" and "Principal and income problems in estates," respectively.

The session will open at 10 o'clock in the morning for the consideration of business and discussion of the two papers mentioned. After luncheon those attending the meeting will have an opportunity for golf or other recreation. The banquet will be held at the Hotel Griswold at 6.30.

Full information regarding the meeting may be obtained from Leon E. Vannais, 252 Asylum street, Hartford, or Herbert F. Seward, 151 Court street, New Haven.

Groton, Connecticut, is directly opposite New London and can be readily reached from the latter town.

## **INSTITUTE CHAPTERS**

### **St. Louis**

A joint meeting of the St. Louis chapter of the Missouri Society of Certified Public Accountants and of the American Institute of Accountants was held in the City club on the evening of April 23rd.

Following the custom, dinner was served at the club to all members who cared to avail themselves of this arrangement, and when the meeting was called to order at

7.30 P. M. there were about thirty members present.

On account of the busy season the meetings arranged for March 5th and April 2nd had been postponed to April 23rd.

W. F. Scott read a paper entitled "Can an accountant be of service to a client outside his purely auditing work," which was followed by an interesting discussion.

It was stated that an accountant should

always give a client his best services, but he should never lose sight of the fact that he is not a technical advisor. The accountant should never place himself in the position of telling a client how to run his own business. With rare exceptions, clients will welcome suggestions, but these should be confined to purely accounting matters. An accountant has no right to disclose the business secrets of one client to another, for instance, as to sales policy.

Several interesting experiences were recounted and the views of some of the members in private practice were expressed. It was pointed out that probably some accountants in public practice did not realize that the client merely wanted a certified financial statement and not criticism of the accounting method or of the general office management. Each situation should be studied carefully, and the method of making suggestions carefully considered. It was admitted, of course, that the public accountant was well qualified to offer suggestions by reason of his experience.

W. M. Mayors was appointed as a delegate to attend the regional convention in Dallas to represent the St. Louis chapter.

A committee was appointed to take care of the accountants' golf tournament. The chapter has held an annual tournament (handicap) for several years past.

The annual meeting of the St. Louis chapter was held at the Westwood Country Club on May 25th. A golf competition was held in the afternoon in which forty-two members took part. The accountants' competition was in the form of a blind bogey.

A dinner was given at which seventy-one members were present.

The activities during the past year were reviewed, and it was agreed that the meetings had been profitable. It was pointed out that the chapter was in existence to benefit the junior accountants, and that as their interest in the chapter increased so would the quality of the discussions increase. No member should expect to get more out of the chapter than he put into it.

W. M. Mayors, the delegate elected to attend the ninth regional meeting of the midwest district held in Dallas on May 7th to 9th inclusive, read his report.

David B. Peter and W. M. Mayors were

reelected president and treasurer respectively for the ensuing year. The following other officers were elected: first vice-president, W. F. Scott; second vice-president, E. F. Herold; secretary, A. W. Lange.

Following the dinner members of the chapter presented a sketch entitled "The annual meeting of the Banana Oil company."

Considerable interest was shown in a model oil derrick and pump house constructed to scale by two members of the chapter, who had just recently completed some interesting work in the oil fields. The walking beam, drilling tools, etc., were operated by means of a string driven by an ordinary electric fan with the blades removed, and a very good idea of actual drilling operations was obtained by watching the model.

### Texas

The regular annual meeting of the Texas chapter of the American Institute of Accountants was held at the Jefferson hotel, Dallas, on May 9, 1925.

The meeting was called to order by the president, G. M. Hofford, with eight members of the chapter present. John B. Niven, president of the Institute, and A. P. Richardson, secretary, attended the meeting. On motion duly made and seconded, the reading of the minutes of the previous meeting held November 8, 1924, was waived. A letter was read from Homer S. Pace on the matter of coöperation of the Texas chapter in the work of the committee on public affairs.

Short speeches were made by Joseph E. Hutchinson and Joseph McElroy as to the desirability of the chapter coöperating in every possible way with the committee on public affairs in its work. Loyd B. Smith drew attention to the fact that members of the Institute should take advantage of every opportunity presented them to deliver speeches and lectures so that work of the profession might be brought more clearly before the public. Mr. Smith stated that opportunities frequently arose to deliver lectures at the various accounting schools in the state and at the various university classes.

John B. Niven outlined the progress of the committee on public affairs and stated that the principal idea of the work undertaken was to mobilize the accountants for

public service. He stated that the letter from Mr. Pace was written with the idea of taking first steps to decentralize the work of the committee and to have the various groups throughout the country organized. Mr. Niven also stated that the council of the Institute must know whether or not the members of the Institute as a whole were behind the committee on public affairs, and to this end the questionnaire on the matter of the committee's work, as recently submitted to the membership, should be filled in and returned to the Institute at the earliest possible date.

On the motion of C. E. Scales, seconded by Loyd B. Smith, the president was instructed to write to Mr. Pace to the effect that the chapter at its regular annual meeting was heartily in favor of the work being undertaken by the committee on public affairs, and that this chapter pledged its full support and coöperation for future activities. It was resolved that a sub-committee of the chapter be appointed to help in the coöperative work with the committee on public affairs. The following sub-committee, as outlined in the motion above, was appointed: Joseph McElroy, George Armistead, C. E. Scales, C. M. Grider and H. V. Robertson.

The following committee was appointed to nominate the directors for the ensuing year: Joseph McElroy, C. E. Scales and T. A. Thurston. The committee, after consideration, reported the following nominations which, on motion duly made and seconded, were unanimously approved by the meeting: Loyd B. Smith, J. G. Bixler, C. H. Schoolar, C. E. Scales and J. F. S. Arthur.

A majority of the newly elected directors being present, they retired from the meeting, and complying with the by-laws,

elected the following officers from among their number: C. H. Schoolar, president, C. E. Scales, vice-president, J. F. S. Arthur, secretary-treasurer.

The following committees were appointed for the ensuing year:

*Publicity:* C. E. Scales, chairman, Joseph E. McElroy, George Armistead, H. V. Robertson, C. M. Grider.

*Finance:* J. F. S. Arthur, chairman, G. M. Hafford, T. A. Thurston, W. P. Peter, W. D. Prince.

*Programme:* A. G. Moss, chairman, J. R. Nelson, T. J. Tapp, J. E. Hutchinson, Jr., T. C. McNeill.

The appointments made by the board of directors were approved by the meeting.

It was resolved that a special effort be made to have all newly graduated C. P. A.'s approached with a view to their becoming associate members, and in due course, full members of the Institute. The president of the chapter was instructed to write a letter to each successful candidate at the semi-annual C. P. A. examinations, giving in this letter a brief outline of the activities of the Institute and its aims for the advancement of the profession in general, and asking that the question of making application for admission to the Institute be given serious consideration.

### **Board of Examiners**

The fall examinations of the American Institute of Accountants will be held on the 12th and 13th days of November, 1925. Applications for these examinations should be presented to the board of examiners sixty days in advance of the examinations. Application blanks and circulars of information may be obtained from the office of the Institute. Results of the May examination were reported to state boards June 13, 1925.

## **COMMITTEE ACTIVITIES**

### **Special Committee on Public Affairs**

Andrew W. Mellon, secretary of the treasury, on May 11th specifically endorsed letter-bulletin 3 on *Credit Frauds* published by the committee on public affairs. He wrote to the chairman as follows: "Receipt is acknowledged of your letter of May 4, 1925 with the enclosed copy of the letter-bulletin on *Credit Frauds*. Your coöperation in the general movement to expose and

check credit frauds is highly commendable and constitutes a real public service. This particular bulletin is a very creditable one and should be given wide circulation."

This commendation of the letter-bulletin crystallizes the endorsements of accountants, credit men, bankers, and business men generally—endorsements that are being received from every part of the country. Newspapers and periodicals have been

generous in their recognition of the public-service work that is being performed by the Institute, a recognition which is evidenced by many columns of material descriptive of letter-bulletin 3, and by much editorial comment. Publication of the letter-bulletin is recognized as a worthy contribution to the country-wide drive against the credit criminal.

Members and associates of the Institute and scores of individuals, organizations and agencies outside the membership have used this letter-bulletin as the basis of special activities and public services.

The Chamber of Commerce of the United States of America is arranging to put a copy of the letter-bulletin into the hands of each of its members and is encouraging its organization members to circulate the letter-bulletin among their members. Trade organizations are publishing notices relative to the letter-bulletin in their house organs and trade publications and are assisting in circulating the letter-bulletin. Scores of bank officers have requested supplies of the letter-bulletin for distribution to their clients and depositors. Credit men's associations in all parts of the country are making use of the letter-bulletin in their drive to raise funds to combat the credit criminal. Members and associates of the Institute are giving their whole-hearted support to credit men and to their organizations in this work.

With all these agencies engaged in circulating the letter-bulletin, 100,000 copies of it have been distributed and the demand is unabated. Circulation of the letter-bulletin will be continued as long as the supply lasts.

Many members and associates of the Institute who have sent copies of letter-bulletin 3 to selected lists of clients have reported that they have received a large number of commendatory replies and acknowledgments. In some instances files of the correspondence have been forwarded to the committee for inspection.

George Witten, of the National Association of Credit Men, acknowledging receipt of copies of letter-bulletin 3, wrote: "This is a splendid piece of work and I am taking the liberty of sending copies of it to publicity chairmen of the larger cities that are engaged in the campaign. This will be invaluable to them in supplying material for

publicity. Thanking you for your real help in our work, I am, etc."

E. I. Kilcup, credit manager of a rubber company in Providence, Rhode Island, in acknowledging receipt of a copy of letter-bulletin 3 wrote: "This pamphlet gives evidence of most painstaking thought in its preparation and it is to be hoped is being widely circulated, for it will serve, I believe, to arrest attention in the most convincing way to the need of systematic and combined efforts on the part of the various national bodies whose interest in the prosecution of credit frauds should be an intimate one."

Copies of letter-bulletin 3 were sent to the 800 members of the Association of Grand Jurors of New York County through the cooperation of Lee J. Wolfe, a New York member of the Institute. Mr. Wolfe, writing to the committee about this circulation of the letter-bulletin, said: "Bulletin 3 which I sent out has received very favorable comment from a great number of the members of the Association of Grand Jurors of New York County and in the name of the association, I want to thank the Institute for its courtesy in letting me have so many copies."

Edward J. Hoff, assistant to the president of the Citizens National Bank & Trust company of Cincinnati, Ohio, commenting on letter-bulletin 3 wrote to the committee: "I can't refrain from congratulating you and your committee for the very wonderful cooperation your Institute is giving to the National Association of Credit Men in their campaign to eliminate fraud in business. Those of my friends who have seen the literature that your committee is sending out are loud in their praise for you and your associates. It is splendid of you to support the credit men."

H. A. Whiting, secretary of the Boston Credit Men's Association writes: "We have received a great many comments on this issue and I can assure you that the cooperation of your organization is thoroughly appreciated."

The Cleveland Association for Criminal Justice has requested a supply of letter-bulletin 3 for study by the directors.

Public service work that is being performed by members and associates of the Institute continues to grow, according to the reports submitted each month on the blanks supplied by this committee. The



report blank which goes with this issue of the bulletin to all members and associates of the Institute will be the last to be sent out until September, and members and associates are urged to use the June blank to bring the committee records up to date.

In response to requests from a number of sources the committee has obtained figures as to fidelity losses to supplement the table printed in letter-bulletin 2 on the crime tendency. These figures show that for 1924 the fidelity premiums paid to the companies reporting amounted to \$32,056,916 as compared with \$29,071,164 paid in 1923. The losses paid in 1924 are stated at \$12,505,124 as compared with \$9,873,881 paid in 1923. This makes the 1924 loss of premiums paid 39 per cent. as compared with 34 per cent. paid in 1923.

Contacts with various national non-profit organizations and public and quasi-public societies are being enlarged and strengthened, so that the influence of the Institute is being extended as information relative to its activities and the public service work that is being performed by its members and associates is transmitted to these various national, state and local bodies.

Ellis LeMaster, an Institute member of Spokane, Washington, who has been giving a series of radio addresses during the past three months, spoke on the following subjects in that series: "Inventories," "The sixteenth amendment," "The 1924 law, form 1040," "Cost of income-tax administration," "What are the facts?" "Business vs. accounting," "Advisory service," "Dishonesty," "Three classes of people," "A brief history of public accounting." "The value of double-entry bookkeeping."

The latest effort of the committee in behalf of commercial arbitration was made in Georgia whose legislature convened this month. The work there is in the hands of Joel Hunter, chairman of the Institute's committee on arbitration. The executive council of the American Bankers Association went on record at its recent meeting in Augusta, Georgia, as favoring the enactment of arbitration laws in every state. Thomas B. Paton, general counsel of the Bankers Association, commended highly the federal arbitration act enacted by the last congress.

Three members of the Institute have been appointed by the president of the Cleveland Chamber of Commerce as mem-

bers of the committee on commercial arbitration of that body. Lewis Wintermute has been named chairman and the other members of the Institute who will serve on the committee are Harold Worthington and Walter A. Vieh. The appointment of these accountants to this important committee of the Cleveland Chamber of Commerce is regarded as recognition of the work that accountants in that city have been doing in behalf of commercial arbitration.

The Pennsylvania Institute of Certified Public Accountants announces the appointment of a committee on public affairs, which includes Adam A. Ross, chairman, George Wilkinson and Frank Wilbur Main. The Pennsylvania Institute's committee will coöperate with the committee on public affairs of this Institute.

C. V. Rowe of San Francisco, chairman of the California sub-committee on arbitration, reports that the bill for arbitration of commercial disputes was not reported out by the judiciary committee of the house of assembly of California. The state legislature has adjourned and will not reconvene for two years. Mr. Rowe writes:

"The San Francisco chamber of commerce informs me that every possible effort was made, including strong recommendations in favor of the bill made personally by three or four of its representatives to members of the assembly judiciary committee, to obtain a reconsideration of the bill after the judiciary committee had ordered it laid on the table, but all efforts were unsuccessful. The chamber of commerce is of the opinion that had it been possible to obtain action in the matter earlier in the legislative session, more satisfactory results might have been obtained, but the assemblyman who sponsored the bill was very busy earlier in the session and could not give much attention to the matter. It is advisable that any sub-committee on commercial arbitration that the American Institute may appoint here to aid in legislation two years hence should be appointed prior to time of reconvening of the state legislature so that from the start it may work in conjunction with the San Francisco chamber of commerce.

"It is the opinion of the members of this sub-committee that assembly bill No. 1186, of which a copy was forwarded, was entirely

satisfactory, but we would be glad to have the views on this of the American Institute of Accountants, so that we may be better qualified to advise all interested parties with whom we may come in contact."

### **Special Committee on Taxation**

The following letter has been addressed to all members and associates of the American Institute of Accountants. Although the letter is not addressed to persons who are outside the Institute, the committee will be glad to give consideration to suggestions which may be offered by anyone interested in the subject of tax reform:

To Members and Associates of the American Institute of Accountants:

Gentlemen:

At a meeting of the Council of the American Institute of Accountants held April 13, 1925, a special committee, consisting of the members of the committees on state legislation and federal legislation was created. The president of the Institute was authorized to add to the committee any members whose assistance might be desired by the committee.

One of the most important objects of this committee is to prepare suggestions for amendment of the federal tax laws and to present such suggestions to the meeting of the ways and means committee of

the house of representatives which is to take place in Washington next September.

Another duty devolving upon the committee is to determine what changes in state laws are desirable so far as they concern taxation of corporations of other states, as well as taxation of estates and inheritances.

Attention has been drawn to this matter in the bulletin of the Institute and members have been asked to send in their suggestions. The committee feels that in addition to the notice in the bulletin it may be well to address a letter such as this to the members and associates of the Institute, and to endeavor to impress upon them the great importance of participating in the movement to bring about such reforms as may be desirable. Accordingly I am writing this letter as chairman of the joint committee and I desire to express the hope of the committee that each member and associate will feel it his individual duty to report to the committee his views in regard to the weaknesses of the present laws or their administration and to make suggestions for betterment. Will you each one regard this as an individual request and give your aid to the work of the committee?

Suggestions should be prepared in a comprehensive way and be accompanied by an expression of the reasons why the proposed change or changes would be desirable.

Replies should be addressed to the office of the Institute. All suggestions will be given careful consideration.

Yours sincerely,

EDWARD E. GORE,  
Chairman.

## **STATE BOARDS OF ACCOUNTANCY**

### **New Jersey**

The following persons have been recommended to the governor for C. P. A. certificates of New Jersey, as a result of the May examinations: Harry A. Sosnow, Walton H. Troyer, Theodore Corey and Morris Portner.

### **North Carolina**

The secretary-treasurer of the North Carolina state board of accountancy advises that all North Carolina certified public accountant certificates must be renewed by July 1, 1925. The fee for renewal is \$5, and a certified cheque payable to the North Carolina state board of accountancy should be sent to Wright T. Dixon, Raleigh, North Carolina.

### **Tennessee**

The governor has appointed the following

persons to the state board of accountancy: For a term of three years: J. C. Edwards, W. L. McFarland of Nashville, and W. M. Black of Knoxville; for a term of two years: J. A. Grannis, Nashville, and A. L. Yancey, Memphis; for a term of one year: Lee H. Battle, Chattanooga, and Hays Flowers, Memphis.

The board has organized by the election of J. C. Edwards as chairman and J. A. Grannis as secretary.

### **Virginia**

The governor of Virginia has appointed the following persons as members of the Virginia state board of accountancy for a term of three years: F. B. Hill and B. A. McKinney, Norfolk, A. M. Pullen, William L. Prince and Thomas O. Moss, Richmond.

## NEWS OF LOCAL SOCIETIES

### **California State Society of Certified Public Accountants—Los Angeles Chapter**

On Thursday, May 28th, the regular annual meeting of the Los Angeles chapter of the California State Society of Certified Public Accountants was held in Los Angeles. Reports of the various committees were read. The election of officers resulted as follows: president, Herbert Wheeler; vice-president, George M. Thompson; secretary, Edward L. Barette; additional directors: R. W. E. Cole, Harry W. Moore.

On Thursday, May 28th, the regular annual meeting of the Los Angeles chapter of the California State Society of Certified Public Accountants was held in Los Angeles. Reports of the various committees were read. The election of officers resulted as follows: president, Herbert Wheeler; vice-president, George M. Thompson; secretary, Edward L. Barette; additional directors: R. W. E. Cole, Harry W. Moore.

A petition was circulated and signed by those present, recommending to the governor the appointment of certain accountants to the state board of accountancy.

### **Indiana Association of Certified Public Accountants**

At the annual meeting of the Indiana Association of Certified Public Accountants held May 20th, George S. Olive was elected president; George B. Buist, Fort Wayne, vice-president; O. C. Herdrich, Indianapolis, treasurer; Stephen S. Yeoman, Indianapolis, recording secretary; H. A. Roney, Indianapolis, corresponding secretary; H. L. Chambers, South Bend, and B. D. Spradling, Indianapolis, directors; Arthur R. Chapman, Indianapolis, auditor and C. E. Freeman, Indianapolis, secretary emeritus.

George E. Morgan, the retiring president, in his report spoke of the increase in membership during the year, the broadened programme of work and the harmony that prevails throughout the membership. Thirty-eight new members were elected during the year. After deducting losses the total membership is 117. Three special membership meetings were held during the year.

Mr. Morgan served during the year as a

member of a state-wide committee to draft the new Indiana securities commission measure which was enacted at the last session and signed by the governor. He is also serving as a member of an advisory committee to draft forms necessary under the new law. The Indiana Association pledged itself to coöperate with the secretary of state in administering the law.

Three proposed amendments to the by-laws of the Indiana Association are to be considered in the near future. One provides for the establishment of state chapters, another for an increase in dues and the third for changing the regular meeting days from Wednesday to Saturday. It is proposed to use the increased revenue from the dues for the promotion of work for the profession. The Indiana Association has agreed to coöperate with the committee on public affairs of the Institute in carrying out its programme. President Morgan advises that work be started immediately to formulate the new C. P. A. bill to be introduced in the legislature in 1927.

George S. Olive, reporting for the committee on enforcement of the C. P. A. law, stated that the committee had had little to do during the year, few infringements of the law being reported.

J. E. Keough and J. B. Baerncopf constituting the committee on membership certificate and card, reported that they had decided on a design and had obtained a supply of certificates and identification cards.

A. R. Chapman, J. H. Pritchard and S. S. Yeoman, constituting the committee on group advertising, reported that copy has been prepared for the Indianapolis telephone directory and recommended that similar group advertisements be prepared for Evansville, Fort Wayne and South Bend. The committee further recommended that as soon as funds are available a roster of members be prepared and distributed to the bankers of the state.

A. R. Chapman, J. B. Baerncopf and A. H. Winter, constituting the committee on luncheons, presented a detailed report of luncheons held during the year and of speakers heard and subjects discussed. The committee reported a growing interest in and attendance at the luncheons.

At the dinner Mr. Morgan introduced

Senator Andrew E. Durham of Greencastle as toastmaster. Addresses were made by Senator Frederick M. Dickman on legislative procedure, by Frederick E. Schortemeier, secretary of state, on business legislation of the recent session of the Indiana assembly, and by Homer S. Pace, president of the New York State Society of Certified Public Accountants, a member of the council of the American Institute and chairman of the Institute's committee on public affairs, on goodwill in accountancy.

#### **Louisiana Society of Certified Accountants**

The Louisiana Society of Certified Accountants held its quarterly meeting at the Association of Commerce, New Orleans on May 14th.

The following persons addressed the meeting: W. J. Mitchell, vice-president of the Canal-Commercial Trust and Savings, Thomas A. Williams and Gordon M. Hill, members of the society.

There were about forty members present at the meeting.

#### **Maine Society of Certified Public Accountants**

The Maine Society of Certified Public Accountants met on May 2nd at Portland. The subject of discussion was the question of commercial credits. Representatives of various Portland national banks, trust companies and savings banks were present. Chester M. Foss, president of the society presided at the meeting. E. L. Pride of Boston spoke on the subject of credits. Carroll B. Skillin of Portland, addressed the meeting as representative of the Portland Credit Men's bureau.

#### **Massachusetts Society of Certified Public Accountants**

The annual meeting of the Massachusetts Society of Certified Public Accountants, Inc., was held on May 25, 1925. The reports of the officers and of various committees were read. Various matters of business relative to the welfare of the society and to the accountancy profession of Massachusetts were discussed at the meeting.

The officers and members of the executive committee elected for the ensuing year are

as follows: president, Stanley G. H. Fitch; vice-president, Frederick Bond Cherrington; treasurer, Arthur T. Chase; secretary, Charles F. Rittenhouse. The executive committee includes the officers and C. Oliver Wellington, Elbridge A. Bollong, Edward J. McDevitt, Jr.

#### **New York State Society of Certified Public Accountants**

At the annual meeting of the New York State Society of Certified Public Accountants held May 11, 1925, the following officers were elected for the ensuing year: president, Homer S. Pace; first vice-president, Joseph J. Klein; second vice-president, James F. Farrell; secretary, Martin Kortjohn; treasurer, Harold A. Wythes.

The following were elected directors for the ensuing two years: Thomas W. Byrnes, W. Homer Conkling, J. P. Friedman, Henry A. Horne, Andrew Stewart and Luther K. Watkins. Samuel D. Leidesdorf was elected a director for a period of one year to fill the unexpired term of Harold A. Wythes, who was elected treasurer.

The following directors continue in office for another year: William H. Bell, David Berdon, Henry Aitkin, Harold Dudley Greeley and John F. D. Rohrbach.

#### **North Carolina Association of Certified Public Accountants**

At the annual spring meeting of the North Carolina Association of Certified Public Accountants held at Asheville the following were elected fellows of the association: K. W. Parham, Raleigh; W. J. Cooper, Charlotte; J. E. Hutchinson, Winston-Salem. The following were elected associates: J. M. Clark and George D. Bailey, Raleigh; Robert C. Freeland, Asheville; A. B. Moring, Charlotte. Baxter Durham, state auditor, was elected an honorary member. On the Sunday morning following the meeting members of the association attended in a body the services conducted by the Central Methodist church.

#### **Northwestern Societies**

The fourth annual joint meeting of the Washington Society of Certified Public Accountants, the Oregon State Society of Certified Public Accountants and the Institute of Chartered Accountants of

British Columbia was held at Seattle on May 22nd, the Washington Society being host.

The members of the three societies met at the Olympic hotel at 8.30, and after breakfast the entire party was driven to Volunteer park where a group photograph was taken. The golfers were then taken to Inglewood Country club where the Oregon men were the winners. The majority of the party, including the ladies, was driven to Snoqualmie falls for lunch.

At 6.45 a special dinner was served to the ladies in the main dining room of the Olympic hotel with a banquet for the men in the junior ball room. At the banquet James M. McConahey, president of the Washington society presided. E. G. Shorrock greeted the guests and spoke of the advancement of the profession. John P. Dawson, president of the Oregon society, spoke of the necessity of close coöperation between accountants, especially in regard to new legislation, and Mr. Giske, representing the president of the British Columbia Society, who was unable to attend on account of sickness, spoke of the very cordial relations existing between the three societies.

Arthur Berridge of Portland delivered an address on the spirit and attitude of the accountant.

After the banquet the entire party met in the "Marine room" of the hotel for dancing.

### **Society of Certified Public Accountants of the State of New Jersey**

At the annual meeting of the Society of Certified Public Accountants of the State of New Jersey held in the Newark Athletic Club, May 12th, the following officers were elected: president, James F. Hughes; first vice-president, Maurice E. Peloubet; second vice-president, Theodore A. Crane; secretary, Julius E. Flink; treasurer, Morris J. Hoenig.

The following trustees were elected: James F. Welch, Russell A. Pearce, William C. Heaton, Philip S. Suffern, W. Melville Coursen and Theodore Krohn.

Gustave O. Mortenson and Edward I. Anfinsen were elected auditors.

The retiring president commented on the numerous activities of the society, drawing particular attention to the growth of the society. James F. Hughes delivered an

address on the plans of the society for the ensuing year.

### **Spokane Society of Public Accountants**

The Spokane Society of Public Accountants, an organization consisting of practising accountants of that city, entertained bankers of Spokane at a dinner on May 1st at the Davenport hotel. There were seventeen bankers present representing six of the most important local banks, the federal reserve bank and two small outlying state institutions. Loans and discounts of the banks represented aggregated somewhat more than \$38,000,000. All the banks with the exception of two were represented by their presidents and other officers.

The Spokane society demands that its members subscribe to the code of ethics laid down by the society. This code follows closely that of the American Institute of Accountants.

At the meeting on May 1st the chairman, Ellis LeMaster, relinquished the gavel to George H. Greenwood, who encouraged the bankers to do the talking and suggested that the accountants assume the rôle of listeners. This procedure was adopted in order that the bankers might have an opportunity to express their grievances and to give the accountants present the full benefit of their opinions. The discussion continued through the greater part of the evening.

Every item on the ordinary balance-sheet was discussed, with the exception of deferred charges, capital and surplus. The result of the meeting might be summed up somewhat as follows:

*Cash*—The bankers seemed to regard the matter of the verification of cash as of secondary importance only. They complained that accountants spend entirely too much time upon this item in proportion to its relative importance.

*Accounts Receivable*—The bankers laid special stress upon the classification of accounts receivable, but their views as a whole coincide with what accountants have always regarded as the best practice. They laid special emphasis upon the fact that on the face of the balance-sheet customers' accounts should be stated as current, thirty days, sixty days, and over.

*Notes Receivable*—The bankers expressed

a desire to have the notes receivable classified in a manner similar to that of the accounts receivable, but in addition the majority were in favor of stating the notes discounted separately and of setting up a corresponding liability. The federal reserve bank representatives insisted that this must always be done.

*Inventories*—The subject of inventories brought out a more lengthy discussion than any other on the balance-sheet. It was somewhat surprising to find that the bankers as a whole were almost devoid of any knowledge of the usual procedure upon the part of the accountant in his efforts to establish the correctness of inventories. One of the bankers insisted that the accountant should supervise the taking of inventories in every instance where he was called upon to make a certified balance-sheet. The consensus of opinion seemed to be that the accountant should insert on the face of the balance-sheet a brief legend setting forth the degree of responsibility assumed by the accountant with respect to the inventory, whether or not it was included in the balance-sheet as stated and valued by the client, and if not thus treated, the degree of responsibility assumed.

*Fixed Assets*—Local banks have comparatively few manufacturing concerns among their depositors and borrowers. For that reason the fixed assets were covered somewhat briefly. However, the attention of the accountants was called to the fact that one or two of the banks had recently been misled by having a wholesaler include among his fixed assets a country home and gentleman's farm which proved to be an operating liability of the business.

*Liabilities*—The liability side of the balance-sheet brought out few points of importance beyond those mentioned under notes discounted and the matter of contingent liabilities. The bankers were insistent that the accountant must show what means were at his disposal for unearthing contingent liabilities. It was suggested that where the accountant found it desirable to communicate with banks in verification of notes and acceptances payable the request addressed to the bank should in every instance include a list taken from the client's books. This not only is a matter of courtesy, but is a great conven-

ience to any bank in guiding its clerks called upon to make the verification.

The bankers made inquiry as to how far the accountant investigated the matter of future commitments. The accountants quite fully outlined the usual practice and apparently were able to satisfy the banks as to the effectiveness of their procedure.

*Good Practice*—One of the bank presidents brought up the subject of what constituted good practice. This banker seemed to have a hazy idea that there was some national body that was responsible for what might be termed the best practice in the country. This gave the accountants an opportunity to bring before the assembled bankers a brief history and an outline of the functions of the American Institute of Accountants.

*Balance-sheet Statements*—After some three hours' discussion there was comparatively little brought out in this meeting that could not have been satisfactorily covered by a review of the pamphlet on *Approved Methods for the Preparation of Balance-sheet Statements*, issued by the federal reserve board. It was surprising to find the great lack of familiarity upon the part of bankers with respect to what might be termed ordinary procedure in public practice.

*Ratios*—One of the bankers who had recently seen the report of a local wholesale house expressed his gratification that this particular report not only contained the usual balance-sheet and profit-and-loss statement, but that it also contained a statement of the disposition and use of capital, together with a complete exposition of the balance-sheet ratios, turnovers and operating ratios. He expressed the belief that the banker was especially interested in the operating statement and the ratios and summaries showing the tendency of the business, and stated that wherever available the tendency for the last three years should be shown.

*Condensed Balance-sheets*—It was emphasized that where a condensed balance-sheet was published, the accountant should make specific mention in the attached certificate that a detailed report had been submitted to the client.

The bankers present appeared to be of the general belief that the accountant's report should be addressed either "To whom it may concern," or "To the board of trustees

and stockholders." Special emphasis was laid upon the fact that a report should be so compiled and so worded as clearly to show that it was intended for the use of anyone into whose hands it might legitimately fall. There had been some contention that where a balance-sheet was intended primarily for bank credit purposes, the banker should make the request for the report and that it should be addressed to the banker rather than to the client. However, after more or less lengthy discussion the bankers seemed to be of the opinion that they should not be brought into the matter in such a way as to create the possible appearance of having influenced the accountant, consciously or unconsciously, in the making of his report, and that the bank should depend upon its own resources in its efforts to get a copy of the report.

*Malpractice*—One of the bank presidents said that his bank had recently suffered a loss of some \$40,000 because of the fact that it had made a loan based upon the confidence placed in the report of an accountant. The report indicated the borrower to be solvent and to be in a fair financial position, but subsequent investigation proved that the debtor concern was hopelessly insolvent at the time the examination was made.

Each bank represented was presented with several copies of letter bulletin No. 3 of the bureau of public affairs of the Institute.

In reporting this meeting to the Institute, Ellis LeMaster, president of the Spokane society, suggests that chapters of the Institute throughout the country might with advantage arrange similar meetings with the bankers in their districts in order

to bring about a better understanding between men engaged in the two vocations.

### **Washington Society of Certified Public Accountants**

The Washington Society of Certified Public Accountants held a dinner at the Ranier club, Seattle, on May 29th, which was attended by three members of the division of the United States board of tax appeals conducting hearings in that city, and by thirty public accountants. James M. McConahey, president of the Washington society, presided. Addresses were made by Messrs. Graupner, Trammel and Phillips of the board of tax appeals, who gave valuable information as to the methods of preparing and presenting cases to the board.

### **Society of Incorporated Accountants and Auditors**

The fortieth annual general meeting of the Society of Incorporated Accountants and Auditors was held May 12th at Cordwainers' Hall, London, E. C. George Stanhope Pitt, president, presided. The president in moving the adoption of the report and accounts referred to the progress of the society, the total membership of which at the close of 1924 was 4,186. The number of accountants who presented themselves for examination were 1,457, of whom 888 passed. Attention was drawn by the president to the fact that the secretary of the society, A. A. Garrett, had attended the annual meeting of the American Institute of Accountants in St. Louis in September, 1924.

## **STATE LEGISLATION**

Since the publication of the last bulletin the following legislatures have adjourned: Connecticut, Michigan and Ohio.

### **Illinois**

Three bills numbered respectively 615, 616 and 617 which have been introduced in the general assembly of Illinois are of interest to accountants. The bills were not introduced at the instigation of the Illinois Society of Certified Public Account-

ants, nor with the knowledge of that organization. The society, however, is watching the progress of the bills and hopes to prevent the enactment of any undesirable legislation.

### **Michigan**

The new C. P. A. law of Michigan, the most important features of which were published in the bulletin for May, was approved by the governor on May 28th. The legis-

lature of Michigan adjourned, sine die, May 28th.

### **Philippine Islands**

D. T. Dikit, secretary of the board of accountancy of the Philippine Islands, reports that a bill has been prepared to amend certain sections of the act creating a board of accountancy. The amendments proposed are modelled upon the general lines of the Maryland act relative to the registration of uncertified accountants. The amendments also include a provision making communications between the accountant and his client confidential and privileged. The Insular board of accountancy consists of W. W. Larkin, president; D. T. Dikit, secretary-treasurer; and Vicente Carmona.

The board has prepared a pamphlet containing the law, by-laws, rules and regulations and other information for candidates.

### **South Carolina**

The South Carolina legislature at its last session created a commission "to investigate the feasibility and practicability of consolidating or eliminating any office, commission or department of that state." This commission is to be composed of seven members, two to be appointed by the president of the senate, three by the speaker of the house of representatives and two by the governor.

Governor McLeod immediately decided that one of his appointees would be a certified public accountant, and named R. S. McIver, of Greenville, South Carolina.

## **COURT DECISIONS**

### **Federal**

The United Circuit Court of Appeals, 5th Circuit, in the case of *Kalin et al. vs. United States*, No. 4247, made an interesting ruling in bankruptcy procedure. Louis Kalin and Louis Stein were convicted of fraudulently concealing assets from their trustee in bankruptcy and appealed, alleging error. They complained of the refusal of the court to direct a verdict of not guilty on the ground that there was an absence of evidence to sustain an averment of the court that the trustee of said estate in bankruptcy did make demand upon the accused for all property belonging to said estate in bankruptcy. The court pointed out that there was evidence tending to prove that H. C. Morgan, who was appointed receiver of said estate, but prior to his appointment as trustee therefor, made such a demand as was alleged. Circuit Judge Walker holds that the allegation as to the making of the demand was surplusage as the concealment alleged constitutes the offense denounced by the statute, whether it was or was not preceded by the making of a demand upon the accused. The court sustained the judgment of the conviction.

### **Montana**

A case decided by the supreme court of Montana, *McIntyre et al. vs. Dawes*, No. 5525, involves the principle that a promise to perform a stipulated business transaction, with intent not to perform, constitutes fraud. In this case, a restaurant concern which had occupied certain premises for five years obtained an option on premises adjacent, six months before the expiration of the lease. The owner of the property then occupied, upon being informed by his tenants that they had secured an option on the adjoining property, promised to make a new lease at the expiration of the current lease, on satisfactory terms. Thereupon, the tenants cancelled their option on the adjoining property, which was subsequently rented to other persons. When the time came to make a new lease, the owner refused and ordered his tenants to vacate. They purchased a lease on a third property at an expense of several thousand dollars and continued their business, but suffered considerable loss, and instituted an action to recover damages. The defendant demurred and the demurrer was sustained by the district court of Gallatin county. The supreme court reversed the decision of the district court and remanded the case to the district court with directions to overrule the demurrer.



## SPEECH REVIEWS

LEWIS H. ALLEN—"FIDELITY LOSSES  
PRESENT GROWING MENACE TO  
AMERICAN BUSINESS"

Article published by the *Buffalo Live Wire*, May, 1925.

Mr. Allen made the startling declaration that one fidelity bond company had a loss ratio of 400 per cent. in Buffalo for 1923, which is to be compared with the fidelity loss ratio of  $36\frac{1}{3}$  per cent. in New York state, established by rating bureaus serving fidelity companies. Mr. Allen described this as a condition that is anything but flattering to the business man of Buffalo and advocated the use of measures designed to place greater checks on employees charged with the responsibility of handling money and merchandise. He quoted freely from letter-bulletin 2 on the crime tendency issued by the committee on public affairs of the American Institute of Accountants.

ANDREW H. BLASS—"GUARANTEE  
RESERVE"

Article published in the April 1st, 1925, issue of the *Pittsburgh Accountant*.

The writer pointed to the practice of guaranteeing household appliances as one of the pitfalls of merchandising into which many dealers fall. These guarantees usually call for the maintenance and upkeep of the equipment without additional cost to the buyer for periods ranging from 30 days to as high as one or two years. Few dealers make necessary provision for the cost of maintaining the organization and repair parts to fulfill such guarantees. The author cites the cases of dealers who dispose of large numbers of electrical sweepers, washing machines and household equipment on which there is apparently a margin of profit which is quite satisfactory. Out of this apparent gross profit the dealer has to deduct his commissions and the cost of handling the merchandise, the cost of carrying the account and other miscellaneous overhead items. These items usually are taken into consideration, but beyond them dealers are in the habit of considering everything as profit, transferable to surplus and available for dividends. The dealers maintain service departments for the many alterations and repairs. These departments, unless closely watched, are carried on at a considerable loss. In some instances certified public accountants have been called in to determine the causes for these losses. The accountants readily discover that the real difficulty lies in the increased number of guaranteed sales, which require the service department to make a great number of free service calls, which materially reduce the time for charge service calls. The remedies suggested by accountants consist of setting aside amounts sufficient to cover the cost of guaranteed service. This could be accomplished, the writer pointed out, by charging operating costs at the time of the sale of each guaranteed article and crediting a reserve for the estimated amount of service costs on the units of equipment sold during each period.

H. G. CROCKETT—"POLITICAL EFFECT OF  
THE DAWES PLAN ON THE UNITED  
STATES"

Address before Glen Ridge Forum, Glen Ridge, New Jersey, February 17, 1925.

Mr. Crockett described the Dawes plan in itself as solely an economic plan for the solution of the European problem and the first serious attempt to settle what are in reality business difficulties on a business basis. He believed that it furnishes the greatest example the world has ever seen of government management on a large scale by which a nation of sixty million people has agreed to accept, with respect to a large part of its economic activities, supervision by a group of trustees made up largely of foreigners. He compared the condition of Germany with that of a company which has not been able to liquidate its debt to a bank from which it has borrowed. The speaker pointed out that the bank would not leave such a company entirely to its own salvation, but would at least make a thorough investigation, give it what advice was thought necessary, exert as much pressure as was desirable and exercise as much control over its affairs as was thought necessary until the bank received its money. The bank would be interested in seeing to it that the business had a smooth running organization. The speaker said that the government is nothing more than a business conducted on a large scale, but seldom on anything like a business basis. He pointed out that whatever Germany pays must be collected from taxes and from the earnings of her industries and no matter how smoothly arrangements for payment may work, the people will constantly be conscious that they are being made to pay. This country must realize the part that this consciousness will play in Germany's future foreign relations. He said that such a thing as a sincerely penitent nation has never been known and nobody thinks that Germany is in that frame of mind. Each political party in Germany will try to shift the load of taxes to the other and the working people will continue to fight on the length of the working day. Speaking of the possibility of the cancellation by this country of debts owed by European countries, the speaker said that he doubted if the voters of this country are sufficiently educated in economics to understand what the cancellation would mean. He doubted also whether either political party in the face of present high taxation would seriously propose a cancellation. The speaker expressed the belief that the most beneficial and far-reaching effect that can come to this country through the operation of the Dawes plan is in its general educational feature. If the plan works, the American people generally will be compelled to know more about peoples and conditions in other countries and that must work to the benefit of the world in general.

**HENRY B. FERNALD—"TAXATION—  
SUBSTANTIAL PROGRESS IN  
TAX REDUCTION"**

Article in *Engineering and Mining Journal-Press*, January 17, 1925.

The author pointed to the material change in the attitude of federal and state authorities toward taxation which has taken place during the past year. Government authorities apparently believe that taxation can be reduced. Recommendations for reductions are receiving the support of executive officers. Congress granted a substantial relief, although the author points out that it failed to adjust the higher surtaxes to a revenue-producing basis. The attempt to tax corporations on undistributed surplus failed, not because of any affection for wealthy corporations, but because congress recognized that such a tax would burden grievously the smaller corporations whose prosperity depends on a careful husbanding of resources and a prudent creation of reserves. The people have shown that they are not in a mood to support government activities or taxation which will hamper or penalize the business and prosperity of the country. State governments have sensed this feeling of the people and have not been disposed to increase taxation, although few have been ready to bring about definite decreases. Municipal and other local taxation has not been affected by the sentiment for tax reduction. The author states that many feel that the only hope for reducing local taxation is by exercising state control, as by limitation of tax rates or by establishing state authority with a veto power over local budgets. It remains to be proved whether we must to this extent abandon local self government or whether the same strong demand which resulted in reduction of federal taxation will also bring about the reduction in local taxes. The author points out that a congressional committee is investigating federal tax administration and remarks that a report that merely points out that errors have been made will not be news to taxpayers. What the taxpayers would like to see is some plan whereby their tax liability can be more promptly determined with less difficulty, inconvenience and expense and where ready justice is more easily obtainable. There is a real demand for relief from the indirect as well as direct tax burden.

**ALBERT E. KELLER—"PROTECT YOUR  
CHEQUES"**

Article printed in the April issue of the *Mountain States Banker*.

Mr. Keller outlined specific rules of procedure concerning the issuance and handling of cheques

which he believes, if religiously followed, will rid the public of much of the great expense chargeable to cheque frauds and forgeries. He advises against writing cheques with lead pencil and against type-writing the amount, also against using a cheque with an erasure to correct an error. He cautioned against making cheques payable to cash or bearer, but urged making them payable to "self," so that one's own endorsement is required when they are cashed. He advises against issuing cheques to strangers in exchange for cash, and also against cashing cheques for strangers. He advocates keeping all cheque books and all paid cheques in a locked compartment. He advises depositing all incoming cheques in the bank. Reconciling the bank account at least once a month and destroying deposit slips or cheques completely if a mistake in writing is made are other methods of defeating the crook.

**A. J. POTTER—"CALENDAR YEAR  
VERSUS FISCAL YEAR"**

Speech before the Northern Ohio chapter of the Institute, April 11, 1925.

The speaker referred briefly to the practice of closing books at the end of the calendar year as one that is unjust alike to the accountant and to the client. He mentioned the sketchy, incomplete inventories, cluttered accounts and notes receivable, which all accountants have encountered in making closings at the busy season. He laid at the doors of accountants themselves the blame for failure to correct these conditions and pointed out that nothing has been done by the profession as a whole to bring about a change. He asked that the efforts of accountants to bring about the general use of the natural year as opposed to the calendar year be organized and that accountants marshal their influence and concentrate their pressure. He suggested that the bureau of public affairs next devote its attention to this much to be desired reform. He suggested two forms that such activities of accountants might well take: first, the improvement of the federal law, and second, the education of the business public to the advantages of the use of the natural year. He quoted sections from the federal law which indicate that the taxpayer is free to choose any date he pleases for the close of his fiscal year "with the approval of the commissioner," and drew attention to the fact that such approval is not always easy to obtain, and if given, limits the closing of the year to the last day of any month. The speaker advocated that the change in dates should be made to appear easy to the taxpayer, and that the red tape surrounding it should be removed. The speaker gave detailed suggestions as to proposed changes in the federal law.

## OBITUARY

### **James Robert Mayes**

James Robert Mayes, formerly president of the Kentucky state board of certified public accountants, died at Louisville, Kentucky, May 10, 1925.

### **W. L. Pitcaithly**

W. L. Pitcaithly, a member of the American Institute of Accountants and a certified

public accountant of Colorado, died May 12th at Denver, Colorado. Mr. Pitcaithly had been an active member of the profession in Colorado for many years. He was born at Simla, India, and before coming to America resided for some time in Halifax, Nova Scotia.

## HERE AND THERE

Charles H. Allen announces the removal of his office to the Cotton Exchange building, Oklahoma City, Oklahoma.

Alexander H. Beard and John W. Abney announce their association in partnership under the name of Beard & Abney, 111 Broadway, New York.

Sidney Bobick announces the removal of his office to the Longacre building, 1472 Broadway, New York.

J. A. Boulay announces the removal of his office from 526 to 1022 Security building, Minneapolis, Minnesota.

Chester P. Child, Harry M. Smith and George R. Young announce the formation of a partnership under the firm name of Child, Smith & Young, with offices at 193 Grand street, Waterbury, Connecticut.

Cornell & Co. announce the opening of a St. Louis office at 1036-1042 Arcade building, with John W. Snider and Ralph E. Wiegel as resident partners.

Farrow & Duttine announce the removal of their Chicago office to 1702 Union Trust building, 7 South Dearborn street, Chicago, Illinois.

Michael Feiring announces the removal of his office to 1133 Broadway, New York.

J. H. Greenha'gh & Co. announce the removal of their offices to 332 South Michigan avenue, Chicago, Illinois.

Herskowitz & Herskowitz announce the removal of their offices to 302 Broadway, New York.

Kohler, Pettengill & Company announce the removal of their Chicago offices to 1329 Tribune Tower, 435 North Michigan avenue.

Louis T. Lohmann announces the opening of offices in the Transportation building, Washington, D. C.

McArdle, Djörup & McArdle announce the opening of an office in the Chamber of Commerce building, Newark, New Jersey.

Perley Morse & Co. announce the removal of their offices to 165 Broadway, New York.

Howard C. Nern announces the removal of his office to Carney building, Seventh street, Parkersburg, West Virginia.

Park, Byrne & Co. announce that Elmer O. Stevens has joined the firm, which will hereafter be known as Park, Byrne & Stevens, 141 Broadway, New York.

M. P. Rosenthaler announces the opening of an office July 1, 1925, at 2340 Buhl building, Detroit.

George V. Rountree, Jr., announces the opening of an office under the firm name of George V. Rountree & Co., at 208 South La Salle street, Chicago.

Maxwell Schaller and Alfred N. Maas announce the merging of their accounting practices under the firm name of Schaller & Maas, with offices at 1170 Broadway, New York.

*Bulletin of American Institute of Accountants*

Stern, Porter, Kingston & Coleman announce the formation of a partnership, with offices at Fifth Avenue Guaranty building, 522 Fifth avenue, New York.

Timmons & Wood announce the opening of offices in the Commercial Bank and Trust Company building, Knoxville, Tennessee.

Arthur C. Upleger announces the discontinuance of the firm of Upleger & Falk and the organization of the partnership of A. C. Upleger & Co., with offices in the First State Bank & Trust Co., building, Waco, Texas.

Walton, Joplin, Langer & Co., announce the removal of their offices to suite 1507-8-9 Bell building, 307 North Michigan avenue, Chicago.

Wilder G. Tiffany announces the removal of his office to 621 Ellicott square, Buffalo, N. Y.

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The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

H. C. Anderson has been appointed a member of the following committees of the Washington chamber of commerce: committee on manufactures, committee on police and fire protection and public safety, committee on transportation and freight rates, committee on district finance taxation and assessment.

A. L. Andrus addressed the Oregon Agricultural college on college training versus practice.

William R. Basset addressed the Advertising Club at New York, on April 24th, on the elimination of selling wastes, and the Chester club of Chester, Pennsylvania, in April, on economy. Mr. Basset also acts as a director of the Broad Street hospital.

Andrew H. Blass addressed the Sheet Metal Contractors' Association of Pittsburgh, May 1st, on out of pocket costs.

The Pittsburgh *Accountant* for May contained an article by Mr. Blass on the "proof of consolidated surplus."

Willis H. Brown has been appointed a member of the finance and audit committee of the Los Angeles chamber of commerce.

Charles T. Bryan spoke on credit and credit frauds before the Brooklyn Credit club on May 19th. On May 20th he spoke on the relation of accountancy to business before the accounting club of the New York high school of commerce.

W. B. Castenholz addressed the Illinois Institute of Accountants in Chicago, February 18th, on profit insurance.

P. C. Davis is one of a committee of seven to draft a commercial arbitration law for Washington. Mr. Davis lectures frequently on accounting at the university of Washington.

F. Richmond Fletcher spoke before a joint banquet of the Western Massachusetts chapter, National Association of Cost Accountants and the Society of Industrial Engineers, May 5th.

H. C. Goettsche was chairman of the committee for the second annual reunion of the alumni of the Y. M. C. A. Mr. Goettsche is also acting on the accountancy commission for the revision of the curriculum of the accountancy course of the Central Y. M. C. A. of Chicago.

Harold Dudley Greeley recently addressed a luncheon of the Philadelphia chapter of the National Association of Cost Accountants on ratio charts in business. Mr. Greeley emphasized the value of the chart as a means to convey cost information to the executive.

Florence Hooper spoke on accounting before the third and fourth year students of the Western high school of Baltimore, May 4th.

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Joel Hunter of Atlanta, Georgia, spoke before the commercial high school of Atlanta, May 4th, on the history of Atlanta, and before Emory university at Atlanta, May 29th, on the profession of accountancy. He is a member of a commission appointed by the Fulton county board of education to review the administration and organization of the public school system. As chairman of the legislative committee of the Georgia Society of Certified Public Accountants Mr. Hunter has been encouraging the passage of a new certified public accountant act.

Judson E. Krueger is instructing a course in auditing, offered by the extension division of the university of California.

John J. Lang was the author of an article "The marts of trade," which appeared in the April issue of *Fleur de Lis*, published by St. Louis university. Mr. Lang is a member of the faculty of the school of commerce and finance of the university.

Alexander F. Makay addressed the students and alumni of New York university, May 15th, on opportunities in the accounting profession. This was one of a series of addresses delivered through the employment bureau of the university. Mr. Makay is chairman of the employment committee of the New York university alumni federation.

Norman L. McLaren addressed the convention of the California Bankers' Association, May 21st, on the banker and the certified public accountant.

J. O. McKinsey, a Chicago member, delivered an address on accounting as a vocation, before the Englewood high school, Chicago, May 5th; before the Medill high school, Chicago, May 12th; and before the John Marshall high school, Chicago, May 18th. Mr. McKinsey addressed a meeting of the financial executives division of the American Management Association, at New York, May 8th. The April issue of the *Journal of Accountancy* published Mr. McKinsey's article on the modern tendencies in accounting.

Albert G. Moss, was chairman of the budget committee for the confederate reunion held in Dallas, May 19th to 22nd.

Leroy L. Perrine had an article, "A problem in annuities," in the May issue of the *Pace Student*.

P. W. Pinkerton served as a member of the accountancy commission of the Chicago Y. M. C. A. school of commerce, which has prepared a new five-year curriculum for the degree of B. S. C.

Henry S. Puder addressed the Madison School of Newark, New Jersey, April 28th, on boy's week. Mr. Puder has been elected a trustee of the welfare federation of the city of Newark and also serves on the finance committee of that organization.

Lewis Wintermute, an Institute member of Cleveland, Ohio, addressed the Cleveland branch of the National Association of Credit Men on May 7th. This meeting was the first assembly of the teams campaigning for the Cleveland quota of the credit men's war chest. Mr. Wintermute was asked to address them to encourage and stimulate them in their work. He described the part that the American Institute of Accountants is playing in the campaign and the contribution it has made by the publication of its letter-bulletin 3 on credit frauds. He also stressed the advisability of requiring applicants for credit to furnish statements certified to by recognized accountants.

General S. H. Wolfe, conducted an investigation of the insurance department of the United States Veterans Bureau, Washington, for the director, and on investigation of the mortality experience of the Army Mutual Aid Association, an organization composed of the commissioned officers of the regular army.

A. J. Watson has been elected a member of the city council of San Francisco.

Charles Weissinger, a Philadelphia member of the Institute, addressed the United States Quarter Masters school of his city on office organization and management, March 26th. About 125 commissioned officers composed his audience. He also addressed the Bon Air Civic and Fire Association, February 16, 1925, on cost of fire protection for five years to come. Mr. Weissinger also addressed the Furniture Dealers' Association of Pennsylvania and New Jersey, May 21st, on the Dodge sale.

# PLEASE FILL OUT AND MAIL

**To COMMITTEE ON PUBLIC AFFAIRS**

AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET

NEW YORK, N. Y.

## PUBLIC ADDRESSES DELIVERED AND PAPERS READ DURING JUNE

(Copies of addresses delivered are desired by the Bureau of Public Affairs)

PLACE	DATE	ORGANIZATION	SUBJECT	LENGTH (In Time or Number of Words)	Num Prese

## ARTICLES OR BOOKS WRITTEN OR PUBLISHED DURING JUNE

(Copies of articles and books published are desired by the Bureau of Public Affairs)

PERIODICAL OR NEWSPAPER	DATE	SUBJECT	LENGTH

## PUBLIC SERVICE PERFORMED DURING JUNE

(Including Committee Work for Organization, Except Religious or Fraternal)

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June 15, 1925.

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# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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JULY 15, 1925

SERIES B, No. 15

### ANNUAL MEETING AMERICAN INSTITUTE OF ACCOUNTANTS

New Washington hotel, Washington, D. C., Tuesday and Wednesday, September 15 and 16, 1925.

Meetings of council, Monday, September 14th, and Thursday September 17th. Meeting of Institute board of examiners, and state boards of accountancy, Monday, September 21st.

Members and associates of the Institute are urged to bear in mind these dates for the annual meeting. The full programme is now in course of preparation by the committee on meetings, and preliminary announcements will be sent to members in the near future.

At the open meetings of September 15th and 16th, all who are interested in accountancy will be cordially welcome.

The sessions will take place on the top floor of the New Washington hotel.

Arrangements for the entertainment of ladies and other guests are receiving the attention of the committee on meetings, and the details of the plans will be announced when the official programme of the meeting is published.

The committee urges all members and associates to set aside the dates mentioned, and to make reservations at the hotel at the earliest possible moment. Many reservations have already been received by the hotel management. Address all communications relative to hotel arrangements to Manager, New Washington hotel, Pennsylvania avenue and Fifteenth street, Washington, D. C.

### Credit Men and the Institute

The National Association of Credit Men at its annual meeting unanimously adopted a resolution of appreciation of assistance rendered by the American Institute of Accountants in the association's campaign to raise a million-dollar fund to combat commercial fraud. The assistance given by the Institute took the form of the publication of letter-bulletin 3 on credit frauds and of cash contributions to the fund and active coöperation in the campaign by many members and associates of the Institute. The resolution adopted by the credit men is as follows:

"Among the many organizations that endorsed the campaign for a prosecution fund, organized and carried through by the National Association of Credit Men, none

was more coöperative than the American Institute of Accountants. The Institute not only approved the campaign but took an active part in it. This convention records its cordial appreciation of the time, effort and money expended in so fraternal and generous a manner by the Institute."

In the letter transmitting the resolution to the Institute, the executive manager of the National Association of Credit Men wrote that that organization adopted the resolution because it desired to acknowledge publicly in a proper form the coöperation of the American Institute of Accountants in its fight against commercial crime. A request was made that the text of this resolution be communicated to all who have been interested in the campaign.

### **Arbitration Society**

On June 2nd, a group representing the Arbitration Conference and the Arbitration Society of America visited Washington for the purpose of expressing their appreciation of the federal arbitration law which President Coolidge had signed on Lincoln's birthday. The members of this group were representative of the business interests of the country, the professions and the judiciary. Among the number was John B. Niven, president of the American Institute of Accountants.

Upon their arrival in Washington the delegation was presented to the president by the secretary of commerce, Herbert Hoover. John E. Rousmaniere, president of the Association of Cotton Textile Merchants of New York, was the official spokesman. He said in part:

"This arbitration law recognizes for the first time nationally in this country the principle of voluntary arbitration in the settlement of controversies of a business nature wherein questions of an interstate or maritime character are involved, and any award under it becomes enforceable in the courts. Through the use of this new law we believe American business will be freed in great measure from the strife and ill-will which now arise because of disputes in the conduct of business. The importance of this release of business from litigation and its wasteful consequences cannot be over-estimated. Such litigation burdens the courts and overworks our judges and congests the calendars with commercial disputes, increasing the burden of taxation, as referred to by yourself in your Memorial Day address. Such litigation does not produce peace in industry but, on the contrary, it causes ill-will, disruption of contractual relations, loss of business, waste and high costs in commercial life. This new law will not only promote peace where strife prevails at times among American business interests, but it will tend to promote an equitable and amicable settlement of international commercial controversies."

The purpose of the society, he said, was to bring to the attention of their associates of various professions a knowledge of this law and the beneficial results which may accrue therefrom.

"It is, therefore, in carrying out one of the responsibilities which we have as citizens that we have assembled to-day to pledge our service to the extension of commercial arbitration throughout the United States and to acknowledge with appreciation the high position to which your administration and congress have raised arbitration in this country, as well as among the nations of the world, through the enactment of the federal arbitration law."

The president acknowledged the thanks of the speaker and expressed the hope that the federal arbitration law would be a force for good.

### **Dominion Association of Chartered Accountants**

The following paragraph is quoted from a letter from the president of the Dominion Association of Chartered Accountants to the secretary of the American Institute of Accountants:

"The annual meeting of the Dominion Association of Chartered Accountants will be held at Banff, Alberta, on September 1st, 2nd and 3rd next. An official invitation is being sent to the American Institute to be represented on that occasion but I should like to give a very hearty invitation to your members generally to join us at our meetings. It occurs to me that the best way to convey this invitation to your members would be by a paragraph in the Institute's bulletin and I shall indeed be pleased if you can arrange for this in due course."

In addition to the official representatives of the Institute who will attend the meeting of the Dominion Association it is hoped that many other members of the Institute will find it possible to accept this cordial invitation. The occasion and the place are attractive.

### **Bureau of Public Affairs**

On April 15th, June 9th, and July 1st, respectively, the president and secretary acting in accordance with instructions of the executive committee, forwarded to members and associates of the Institute questionnaires relative to the work of the bureau of public affairs.

The executive committee must make a report at the time of the annual meeting and must indicate to the council and to the general meeting the opinion of the membership as reported in the replies to the questionnaire. Many replies have been received enthusiastically endorsing the work of the committee, but a more comprehensive expression from the membership as a whole is necessary, and even if members may be entirely opposed to its plans, or indifferent, the executive committee hopes that all members and associates will answer.

Many letters making suggestions relative to the bureau of public affairs have been received in addition to the regular questionnaires, and the committee welcomes suggestions or criticisms of this kind.



## REGIONAL MEETINGS

### New England

The eighth regional meeting of the New England district was held at New London, Connecticut, June 26th. Leon E. Vannais presided at the opening session. P. Leroy Harwood, president of the board of education of New London, extended an official welcome.

A report of the previous meeting was presented by Chester R. Union, secretary. Herbert F. Seward was called to the chair and introduced Harold Dudley Greeley, who spoke on "Principal and income problems in estates". His address was followed by a discussion.

C. Oliver Wellington, vice-chairman of the committee on public affairs presented a report of the activities to date of that committee and an outline of its plans for the immediate future. President John B. Niven urged all members and associates who had not responded to the questionnaire relative to the work of the committee on public affairs to do so promptly so that the executive committee may have definite information as to the views of the membership before the annual meeting.

It was resolved to hold the next meeting in June, 1926, at Boston, Massachusetts. C. Oliver Wellington was elected chairman of the committee on arrangements. Chester R. Union was re-elected secretary and Arthur T. Chase was re-elected treasurer.

The afternoon was devoted to golf and baseball.

Mr. Vannais presided at dinner. Harvey S. Chase presented a report concerning the plans for a golf tournament at the annual meeting of the Institute in Washington next September. Edwin B. Hathaway announced the winners of the golf tournament held during the afternoon.

Mr. Wellington paid a tribute to the work done by Homer S. Pace chairman of the committee on public affairs and urged the members to coöperate with the committee in the preparation of letter-bulletin No. 4. on taxation.

President John B. Niven and Vice-President William H. West spoke briefly on current activities of the Institute. Homer N. Sweet of Boston spoke on "Qualified and amplified certificates". A. P. Richardson secretary, spoke on the aims of the Institute.

## BOARD OF EXAMINERS

### May Examinations

As a result of the May examinations the board of examiners finds eligible for admission to the American Institute of Accountants thirty candidates—eighteen as members and twelve as associates. The board recommends also the advancement of eight associates to full membership. The names of all those recommended will accompany this bulletin as it goes to members of the Institute. The council is at this time voting by mail ballot and in the absence of protest those candidates whom the council approves will become members. Any protest must be registered immediately.

Twenty-five states coöperated with the Institute in these examinations. The other

coöperating states did not hold spring examinations. Four hundred and thirty candidates for the C. P. A. certificate were examined. Of these, 74 passed, 59 were conditioned, and 297 failed.

Attention is again directed to the announcement that the fall examinations will be held November 12th and 13th.

### Elijah Watt Sells Scholarship

Louis Toth is recipient of the Elijah Watt Sells scholarship for this year. This award is made every spring by the board of examiners to the candidate for admission to the American Institute of Accountants, who obtains the highest marks in the May examinations.

## INSTITUTE CHAPTERS

### Minnesota

At the annual meeting of the Minnesota chapter of the American Institute of Accountants held at the Athletic club, Minneapolis, on June 4, 1925, the following officers were elected: Herman C. J. Peisch, president; Thomas J. Shannon, vice-president; Raymond T. Schneider, secretary.

The board of directors consists of the foregoing officers, with William C. Bechert and A. O. Grover. At the invitation of Mr. Grover the next meeting of the chapter will be held in Duluth, in August.

### Northern Ohio Chapter

On June 2nd, the directors of the Northern Ohio chapter of the American Institute of Accountants held a meeting at the home of Arthur C. Chandler, Akron, Ohio.

The principal topic of discussion was "Publicity for the chapter and its members." A committee was organized which was intended to work somewhat along the lines of the Institute bureau of public affairs. Every effort will be made to ar-

range for the publication of articles written by chapter members, as well as matter furnished by the chairman of the Institute bureau of public affairs. Harold Worthington, will direct this branch of the activities of the Northern Ohio chapter.

Two other committees were appointed at this meeting: one to study the question of state taxation and to furnish the members of the chapter with information, the other to transmit to members suggestions on the question of "fiscal closings versus calendar-year closing."

### Pittsburgh

The Pittsburgh chapter of the American Institute of Accountants at a meeting on May 25, 1925, elected the following officers and directors for the ensuing year: O. G. Richter, president; A. J. Farber, vice-president; J. E. Wilson, secretary; E. A. Ford Barnes, treasurer; directors: Ernest Crowther, Harry W. Watkins, John N. Wolfe, C. C. Sheppard and Robert F. McClure.

## COMMITTEE ACTIVITIES

### Special Committee on Public Affairs

At a meeting of the committee on public affairs held June 9th, it was decided that its next major undertaking should be the issuance of a letter-bulletin setting forth the ideas of public accountants as to desirable amendments to the federal income-tax law.

No attempt will be made to write an entire tax law or a model measure, and controversial questions of a political nature will be avoided. What the committee has in mind is the preparation of technical suggestions for the improvement and simplification of procedure.

The work of compiling the suggestions and proposals of public accountants will be performed during the summer, in conjunction with the committee on federal legislation, and it is hoped to have letter-bulletin 4 on this subject published early in the fall so that the suggestions may be laid before congress and officers of government, civic organizations and the public generally,

when consideration of the tax problem is begun by congressional committees.

A general appeal to members and associates of the Institute for suggestions as to desirable amendments was made several weeks ago by the committee on federal legislation. This appeal asked for suggestions as to improvement not only of federal tax procedure, but of state taxation systems as well.

The committee on public affairs, with the aid of presidents of state societies of certified public accountants and of chapters of the Institute, is addressing requests for proposals as to desirable amendments to the law to individuals and organizations which have made a special study of federal taxation. This request states that the forthcoming letter-bulletin will embody suggestions and proposals with respect to improvements in the law and in its administration and that what the committee has in mind is the preparation of technical suggestions affecting the improvement and simplification of procedure.

It is planned to make the letter-bulletin a technical presentation of the matter with due regard to points of public interest and to proper presentation of the interests of accountants.

The committee desires to obtain as full an expression as possible from persons most competent to advise. It will be glad to be put in touch with persons or organizations which have made special study of federal income-tax procedure.

Demand for letter-bulletin 3 on credit frauds is unabated and its circulation continues through trade association, chambers of commerce, state societies of accountants and individuals. The committee has been compelled to limit the circulation proposed by several chambers of commerce in order to conserve the small supply of these letter-bulletins now on hand.

Harry E. Ward, president of the Irving Bank-Columbia Trust Company in commenting on letter-bulletin 3 wrote to the committee: "I received your letter of the 3rd inst. enclosing letter-bulletin 3 on 'credit frauds', which has been reviewed with much interest.

"Your Institute is to be congratulated upon issuing a bulletin containing such valuable and illuminating information on the many phases of this important subject.

"Your coöperation in conjunction with the movement recently launched by the National Association of Credit Men is highly commendable and, as indicated by you, should prove doubly valuable in the prosecution of this good work.

"Any appreciable elimination of credit fraud in general business will prove a worthwhile effort."

Publishers of *Coast Banker* have expressed a desire to quote extensively from letter-bulletin 3 and to comment on it. This periodical has shown a deep interest in the work being done by certified public accountants.

The Fort Wayne chamber of commerce transmitted to its officers and board of directors copies of letter-bulletin 3 under the same cover with copies of the proceedings of the annual meeting of the United States chamber of commerce. The letter of transmittal, after stating that the letter-bulletins were sent with the compliments of George B. Buist, said: "It is an informative pamphlet dealing with many phases of credit frauds.

This booklet very naturally follows the one on 'crime tendency' which was sent to you some months ago, through the courtesy of the A. I. A. Much good should result from the very intelligent work which the A. I. A. is doing and we are indebted to them for the thorough manner in which they are studying one of our nation's most serious problems."

The American Polish chamber of commerce in the United States requested a supply of letter-bulletin 3 for use in the English reading room at its headquarters in Warsaw, Poland. The secretary expressed the belief that there would be a great demand in Warsaw for such information as is contained in the letter-bulletin.

Elmer C. Maywald, second vice-president of the Foreman National bank of Chicago, commenting on letter-bulletin 3 wrote, "May we take this opportunity to compliment you on the splendid form shown in your various articles, which we feel sure will go a long way toward educating the public in the prevention of unnecessary failures."

At the request of Ramon Rodriguez of San Juan, Porto Rico, supplies of letter-bulletin 3 have been sent to the chamber of commerce of San Juan, the Porto Rico Institute of Accountants, the Asociacion de Productores de Azucar, and the Rotary club of San Juan, as well as to five banks in that city. Mr. Rodriguez wrote: "Please accept my thanks for the bulletin letter you sent me from the American Institute of Accountants. I think that that is a wonderful idea, and I beg to suggest you to send some to this island where over ten million dollars were lost last year in credit crimes."

A digest of letter-bulletin 3 prepared by William Feather of Cleveland, Ohio, is to be published in 15 house organs with a combined circulation of 85,000.

The credit clearing bureau of the Philadelphia chamber of commerce has requested one thousand copies of letter-bulletin 3 for distribution among its members.

Compilations of the public-service work performed by members and associates will be made from the report blanks sent in during the past seven months. Members and associates are urged to report these services promptly.

## STATE BOARDS OF ACCOUNTANCY

### Connecticut

At a meeting of the Connecticut state board of accountancy on June 29th it was resolved to certify the following to the governor for C. P. A. certificates: Frank W. Hawley, Eli Manchester, Francis G. Lee, Jacob Rosenbaum, Louis J. Kuriansky, Philip I. Flaxman, William E. Plumb, and H. N. Alexander. There were twenty-two candidates at the examination in May.

The organization of the state board has been changed as follows: Herbert F. Seward, president; Irville A. May, secretary; Charles F. Coates, treasurer.

### North Carolina

G. H. Adams, of Charlotte, North Carolina, has been reappointed to the board of accountancy of that state. Mr. Adams is vice-chairman of the board.

### Washington

Forty-four applicants for the degree of certified public accountant took the ex-

aminations given recently in Olympia and Spokane by the state board of accountancy in Washington. C. E. Alexander of Seattle and J. Leland Daniel of Spokane were awarded certificates as certified public accountants.

### Wyoming

The Wyoming state board of accountancy has conferred the degree of certified public accountant upon Guy G. Connelly by examination; and upon Anton Gerhary and G. H. Roddy by reciprocity.

The board now consists of C. H. Reimerth, president; F. S. Burrage, secretary, and Byron S. Huie, treasurer.

### Hawaii

The territorial board of accountancy in Hawaii has issued to John Ker Lamberton, under the reciprocity clause, a certificate to practise as a certified public accountant in the territory of Hawaii.

## NEWS OF LOCAL SOCIETIES

### Illinois

The Illinois Society of Certified Public Accountants held a joint meeting with the Robert Morris Associates, Chicago chapter, at the Hamilton club, Chicago, on Monday, April 20th.

E. M. Tourtelot, president of the Chicago chapter of the Robert Morris Associates, alternated as presiding officer with Geo. E. Frazer, president of the Illinois society.

The principal address of the evening was given by H. A. Finney. Mr. Emmerts of the Chicago Cold Storage Co. also read an interesting paper. Brief remarks were made by Ernest Reckitt, vice-president of the American Institute of Accountants. The attendance was approximately 250.

### Maryland

Members of the Maryland Association of Certified Public Accountants have elected the following officers for the ensuing year: Charles O. Hall, president; Charles C.

Croggon, vice-president; Marshall C. Roop, secretary; Edward J. Stegman, treasurer; Charles L. Hehl, auditor. The trustees are: Raymond C. Reik, Thomas L. Berry, Elmer L. Hatter and Charles R. Ditman.

### Mississippi

New officers of the Mississippi Society of Certified Public Accountants are: John A. Ross, president; J. A. Rogers, vice-president; L. A. Williams, secretary; and J. D. Meadows, treasurer.

### Montreal

At the annual meeting of the Association of Accountants in Montreal the following officers were elected: first vice-president, George S. Currie; second vice-president, J. A. LaRue; secretary-treasurer, Robert Wilson, Jr.; council members: C. W. Baker, S. R. Campbell, A. A. Cowan, James Hutchison, C. A. Paterson, C. F. Ritchie, C. H. Skelton and W. Garth Thompson.

### **New Jersey**

A special meeting of the Society of Certified Public Accountants of the state of New Jersey was held at the Down Town club, Newark, Tuesday evening, June 16, 1925. There were present about fifty members and the following guests: Homer S. Pace, president, of the New York State Society of Certified Public Accountants; Patrick W. R. Glover, vice-chairman of the committee on legislation of the New York society; Harold B. Atkins, a member of the committee on legislation of the New York society. The speakers were introduced by James F. Hughes, president of the society.

The purpose of the meeting was to discuss the report of the committee on legislation of the New Jersey society. Charles E. Mather, chairman of this committee, presided over an open forum discussion in which the following questions were discussed:

1. Should uniform regulations as to auditors and their qualifications apply alike to municipalities, building-and-loan associations and ordinary business corporations?
2. Municipal accountants must be registered. Should all public accountants be registered?
3. Should registration be limited to C. P. A.'s or should there be two registers, one for C. P. A.'s and one for other public accountants?
4. All municipalities must be audited. Should all corporations be audited?
5. What would you include in the conception of public accounting that should be subject to regulation by law?
6. What addition, if any, is needed to the present C. P. A. laws or other laws which affect the practice of public accounting?

The New Jersey society welcomes the views of the members of other state societies and would be pleased to have such views and suggestions mailed to its secretary, Julius E. Flink, 31 Clinton Street, Newark, New Jersey.

### **Ontario**

The Institute of Chartered Accountants of Ontario recently held its forty-second annual meeting. The election of officers resulted as follows: president, R. Easton Burns; first vice-president, Fred Page Higgins; second vice-president, G. M. Mulholland; secretary-treasurer, H. Percy Ed-

wards; council: R. Easton Burns, Arthur A. Crawley, J. Wyndham Eddis, George Edwards, H. Percy Edwards, H. D. L. Gordon, H. E. Guilfoyle, Fred Page Higgins, H. T. Jamieson, F. G. McClelland, Arthur C. Neff, H. A. Shiach, Fred J. Stiff. The representatives on the council of the Dominion Association of Chartered Accountants are: George Edwards, R. Easton Burns, H. T. Jamieson; and alternates, Arnold Morphy and W. W. Gladwell; auditors, Eric P. Hudson and Gordon T. Miles; registrar, William J. Valteau.

### **Oregon**

The Oregon State Society of Certified Public Accountants at its annual meeting held June 8, 1925, elected the following officers and directors for the ensuing year: president, Arthur F. Jones; vice-president, Arch. J. Tourtellotte; secretary-treasurer, A. R. Sawtell; directors: R. J. Leo, T. A. Rutherford, A. C. Ellis and E. M. Wilson.

### **Rhode Island**

The Rhode Island Society of Certified Public Accountants has recently created a committee on public affairs. George Hay is chairman of this committee and Ernest F. Goodman is secretary.

### **Saskatchewan**

The annual meeting of the Saskatchewan Institute of Accountants was held in Saskatoon on May 29th. The following officers were elected: president, W. J. Weston; vice-president, A. Gray; secretary, W. C. Hodge; members of council: W. J. Weston, A. Gray, W. C. Hodge, J. D. Dawson, V. J. Ferguson, Louis Jacobs and J. W. Rosborough.

The deputy provincial treasurer, A. Per-ring Taylor, was elected a member of the Institute.

Papers were read by Louis Jacobs and A. Gray, and a luncheon was held at the King George hotel. The attendance was the largest in the history of the organization.

### **Virginia**

The Virginia Society of Public Accountants held its semi-annual meeting at the Hotel Richmond, Richmond, May 30, 1925.

W. L. Elkins, president, occupied the chair. There were thirty-six members present. The secretary of the society is F. P. Stratford.

## COURT DECISIONS

### Louisiana

The refusal of the Louisiana state board of accountancy to issue a reciprocal C. P. A. certificate to A. J. Thoman was upheld by Judge Parker in civil district court. Thoman is a certified public accountant of Mississippi, with which state the Louisiana board has reciprocal arrangements. Louisiana however, reserves the right to consider each application on its individual merits, and decided to refuse Thoman's request. The latter immediately applied to the court for a writ of mandamus compelling the board to issue his certificate, and likewise attacked the constitutionality of the board's act as an attempt to regulate labor. Judge Parker decided that as the legislature had vested full discretionary powers in the board, the court had no jurisdiction, and the case was dismissed "for no cause of action."

### Michigan

A decision of the supreme court of Michigan in the case of *Jacobs versus Schmidt et al.*, No. 2, involves the distinction between appraisal and arbitration. The two parties entered into an agreement which recited that the defendant was willing to sell and plaintiff was willing to buy the defendant's stock in a company; but they were unable to agree upon a price. They decided that the price was to be fixed by one man chosen by plaintiff, one by defendant, and a third to be chosen by the two. These men were selected, but before they had reached a final result this bill was filed, seeking to set aside the agreement, the plaintiff insisting that it was an agreement for a common-law arbitration and revokable at will. The defendant insisted that the agreement constituted an appraisal, and the court sustained him, saying that the sole function to be performed by the three men selected was the fixing of the value of the stock. They were not to

adjust disputed claims between the parties. The contract provided for an appraisal, not an arbitration, and could not be set aside or revoked at the will of the plaintiff.

### New York

The surrogate's court, New York County, in re *Barrett's Estate* decreed that executors' commissions are fixed by the law which is in effect at the time when the account is settled. The executor is not entitled to additional commission at a rate fixed by an amendment to the statute, where a prior decree fixed the commission.

### Pennsylvania

A creditor, failing to apply to a debt any property of the debtor which may be in his possession sufficient to pay debts, discharges surety. This principle appears in the decision of the supreme court of Pennsylvania in the case of *Franklin Savings and Trust Company of Pittsburgh versus Clark*. The bank held a promissory note endorsed by James L. Clark, the defendant, and payable at its banking house. Upon maturity of the note Clark had on deposit in this bank sufficient funds to cover payment of the note in an account called "special". The bank, however, honored cheques against this account until practically all of the deposit was withdrawn. The supreme court confirmed the judgment of the lower court, discharging the endorser from liability. The court said that where a bank is the holder of a note payable at the banking house, if it has on its maturity a cash deposit of the maker exceeding the sum due, the bank is bound to apply this credit of the maker in discharge of the note, unless the deposit has been appropriated by the maker for a particular purpose. Further, if by the use of reasonable diligence, property may be obtained and applied to the debt, the creditor's duty is so to obtain and use it.

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Meaden & Welsh announce the opening of offices at 204 Hall building, St. Petersburg, Fla.

Peter & Moss announce the removal of their offices to 1302-1303 Santa Fé building, Dallas, Texas.

## UNIVERSITY NOTES

The University of Florida has announced the opening of a school of business administration in September, 1925. The school comprises three departments, namely, business administration, economics and journalism. Orton W. Boyd is chairman of the department of business administration.

Stephen W. Gilman, of the University of Wisconsin, will be a visiting member of the summer session faculty of the school of commerce and business administration, University of Southern California.

Thomas H. Sanders of the Harvard Graduate School of Business Administration read a paper June 15th at the annual convention of the National Association of Cost Accountants, Detroit. Professor Sanders discussed various methods by which depreciation is recorded in the accounts.

At the University of Wisconsin a university exposition, planned and managed by the students, is held every four years to acquaint the people of the state with the work of the institution. At the exposition held during 1924-25 there were some eighty exhibits of as many university departments. The attendance ran well into the thousands.

The following statement was prepared by the senior accounting students, as a part of the exhibit at the course-in-commerce booth:

Mr. Business Executive: Do you know that the certified public accountant should be your business and financial advisor?

The certified public accountant is a person licensed by the state to practise as a certified public accountant only after satisfying high standards of general education and experience and after passing complete and thorough examination as to his knowledge of accounting and related subjects.

The certified public accountant designs, installs, and audits systems of accounts, and gives business and financial advice to his clients.

The certified public accountant's constant association with many types of business gives him the opportunity to acquire a great amount of information, which is of value in counseling with his clients. Leading bankers, business men, investors, and others recognize the certified public accountant as a professional business advisor.

The following list details some of the more valuable services rendered by the certified public accountant:

1. He designs and installs systems of general financial accounting and of cost accounting to fit the needs of a business.
2. He audits the books, records and accounts of a business with a view of determining their accuracy.
3. He determines and interprets the financial condition and earnings of a business for its officers, directors, stockholders, partners, or individual owners.
4. He prepares a certified balance-sheet for bankers, trade creditors and investors.
5. He prepares and supervises the operation of a business budget.
6. He advises and assists the business man in matters involving:
  - (a) Efficient and economical financing.
  - (b) Costs of production and costs of selling.
  - (c) The adequacy of the accounting system used.
  - (d) The efficiency of office and factory personnel.
  - (e) The granting of credit.
  - (f) Federal and state taxes.
7. He investigates and reports upon such matters as:
  - (a) The analysis of accounts under dispute.
  - (b) The settlement of partnership disputes involving earnings and dissolutions.
  - (c) The amounts of shortages, defalcations and embezzlements.
  - (d) The settlement of patent infringement disputes.
  - (e) The financial facts demanded by "blue sky" commissions in considering issues of stocks or bonds.
  - (f) The financial problems involved in the refinancing of a business, with definite recommendations thereon.
  - (g) The examination of the finances of businesses for reorganization committees.
8. He acts as a receiver of insolvent concerns.
9. He advises and counsels with attorneys on accounting matters arising in their practice.

Registrations in accounting courses at Ohio State University in the year 1924-25 were 1769 as compared with slightly over 1500 in the preceding year. The university offers seventeen undergraduate courses, with additional research work for graduates. Of the undergraduate courses, two were classed as elementary, six as intermediate, and nine as advanced. The total number of class sections, including laboratories, was 88.

The accounting department at Ohio State University next year will offer two new courses for advanced students in public accounting—one in fiduciary ac-

counting and one in advanced accounting theory. Two other new courses of intermediate grade are to be offered students who have completed elementary accounting but whose major work is in other lines. One of these will be a course in retail accounting for students in the marketing and merchandising field, and the other a course in factory costs for students in industrial management.

The accounting instructional staff at Ohio State University includes five certified public accountants and two others who will be candidates for that degree during the present year. Two members of the department have also been admitted to the practice of law in Ohio.

Daniel M. Shonting of the accounting department, Ohio State University, has in preparation a thesis on the subject "Comparative accounting theories of various nations". It is expected that this will be published within the next year in conjunction with his candidacy for the degree of doctor of philosophy.

The accounting department of Ohio State University was host to the annual convention of the Ohio Society of Certified Public Accountants at Columbus, June 5 and 6, 1925. There were a number of speakers, including C. F. Rittenhouse, formerly of Boston University; Harold Dudley Greeley, of Columbia University; and L. T. Konopak, practising accountant of Toledo, Ohio.

Howard C. Greer, professor in the accounting department of Ohio State University, has during the last year also served as acting director of the University's bureau of business research. The bureau has, among other undertakings, designed a uniform accounting system for retail furniture dealers. This is expected to be ready for publication soon.

Harry A. Cummings, announces that he will continue the practice of accounting at 1440 Broadway, New York.

When the new building of the school of business of Columbia University was formally opened, addresses were delivered by James C. Egbert, director of the school of business; Walter J. L. Banham, president of the New York Board of Trade and Transportation; Darwin P. Kingsley, president of the New York Life Insurance Company; Nicholas Murray Butler, president of the university.

Special rooms are provided on the fifth floor of the new building for accounting and auditing laboratories. The Montgomery library of accounting is on the seventh floor.

Emerson McMillin and A. Barton Hepburn were the donors of the new building and of the endowment fund of the school of business, respectively.

During the summer session of 1925 the Northwestern University school of commerce will offer eight courses in accounting. These include elementary, intermediate and advanced accounting principles, auditing, C. P. A. review, federal taxes, and problems in public utilities accounting. The first term of the summer session is June 1st to July 25th, inclusive. The second term includes July 27th to September 18th.

During this academic year William Morse Cole completed twenty-five years of teaching accounting in Harvard University. In honor of the occasion nearly two hundred past and present colleagues and former students, who had taken advanced accounting work with Professor Cole, presented him with an engraved silver bowl, and with \$150.00 in gold. The presentation was made at the final faculty meeting of the year. The inscription on the bowl was as follows:

"To William Morse Cole from colleagues and former students to mark their appreciation of his completion of twenty-five years of notable service in Harvard University as a teacher of the philosophy of accounting."

Albert W. Mahone & Co., announce the opening of an office at 10 South LaSalle street, Chicago.



## STATE LEGISLATION

### Illinois

The legislature of Illinois has enacted three bills having a bearing upon the accounting profession. As this bulletin goes to press the bills are before the governor and his action can not be predicted. The important sections of the bills follow:—

#### No. 615

\* \* \* \*

*A bill for an act making an appropriation to the department of registration and education for the public accountant examining committee.*

\* \* \* \*

Section 1. The sum of \$2,500.00 is appropriated to the department of registration and education, division of registration, for the per diem compensation for the public accountant examining committee for the biennium ending June 30, 1927.

Sec. 2. This appropriation is subject to the provisions of "an act in relation to state finance," approved June 10, 1919, as amended.

#### No. 616

\* \* \* \*

*A bill for an act to amend section 60 of "an act in relation to the civil administration of the state government, and to repeal certain acts therein named," approved March 7, 1917, as amended.*

\* \* \* \*

Section 1. Section 60 of "An act in relation to the civil administration of the state government, and to repeal certain acts therein named," approved March 7, 1917, as amended, is amended to read as follows:

Sec. 60. The department of registration and education shall, wherever the several laws regulating professions, trades and occupations which are devolved upon the department for administration so require, exercise, in its name, but subject to the provisions of this act, the following powers:

1. Conduct examinations to ascertain the qualifications and fitness of applicants to exercise the profession, trade or occupation for which an examination is held; and pass upon the qualifications of applicants for reciprocal licenses, certificates and authorities.

2. Prescribe rules and regulations for a fair and wholly impartial method of examination of candidates to exercise the respective professions, trades or occupations.

3. Prescribe rules and regulations defining for the respective professions, trades and occupations, what shall constitute a school, college, or university, or department of a university, or other institution, reputable and in good standing and to determine the reputability and good standing of a school, college or university, or department of a university, or other institution, reputable and in good standing by reference to a compliance with such rules and regulations.

5. Establish a standard of preliminary education deemed requisite to admission to a school, college or university, and to require satisfactory proof of the enforcement of such standard by schools, colleges and universities.

6. Conduct hearings on proceedings to revoke or refuse renewal of licenses, certificates or authorities of persons exercising the respective professions, trades or occupations, and to revoke or refuse to renew such licenses, certificates or authorities.

7. Formulate rules and regulations when required in any act to be administered.

None of the above enumerated functions and duties shall be exercised by the department of registration and education, except upon the action and report in writing of persons designated from time to time by the director of registration and education to take such action and to make such report, for the respective professions, trades and occupations as follows:

[Here follows a list of vocations, including veterinary practitioners, horse-shoers, architects, structural engineers, medical practitioners and midwives, embalmers, pharmacists, dentists, nurses, optometrists and barbers.]

For the public accountants and certified public accountants, one public accountant, one certified public accountant, and one lawyer, each of whom is a citizen and a resident of this state and each of whom has been actively engaged in the practice of public accountancy, or of law, for at least five years next preceding his appointment.

The action or report in writing of a majority of the persons designated for any given trade, occupation or profession shall be sufficient authority upon which the director of registration and education may act.

In making the designation of persons to act for the several professions, trades and occupations, the director shall give due consideration to recommendations by members of the respective professions, trades and occupations and by organizations therein.

Whenever the director is satisfied that substantial justice has not been done either in an examination or in the revocation of or refusal to renew a license, certificate or authority, he may order re-examinations or rehearings by the same or other examiners.

#### No. 617

\* \* \* \*

*A bill for an act in relation to the practice of public accountancy, and to repeal a certain act therein named.*

\* \* \* \*

Section 1. After the first day of October, 1925, it shall be unlawful for any person to practise, or to attempt to practise as a public accountant or certified public accountant without a certificate of registration as a public accountant or certified public accountant issued by the department of registration and education pursuant to the provisions of "an act in relation to the civil administration of the state government, and to repeal certain acts therein named," approved March 7, 1917, as amended.

Sec. 2. For the purpose of this act, a person shall be deemed to be engaged in the practice of public accountancy when he performs accounting or auditing service as distinguished from bookkeeping, on a fee basis, per diem or otherwise, for more than one employer.

Sec. 3. Any citizen of the United States or person who has duly declared his intention of becoming a citizen, residing in or having a place for the transaction of business as a public accountant in the state of Illinois, being over the age of twenty-one years, of good moral character, and a graduate of a high school with a four years course, or having an education which is equivalent thereof, and who shall have received from the department of registration and education, under the provisions of this act, a certificate of his qualifications to practise as a public accountant, shall be styled and known as a public accountant, and no other person shall assume such title, or use any abbreviation thereof, or other words or letters, signifying that the person using the same is a public accountant, except as permitted by this act. Five years' experience as a public accountant in business for himself or in the employ of a public accountant shall be accepted as the equivalent of a high-school education.

Sec. 4. Any citizen of the United States or person who has duly declared his intention of becoming a citizen, residing in or having a place for the transaction of business as a public accountant in the state of Illinois, being over the age of twenty-one years, of good moral character and a graduate of a high school with a four years course, or having an education which is the equivalent thereof, and who shall have received from the department of registration and education, under the provisions of this act, a certificate of his qualifications to practise as a certified public accountant, shall be styled and known as a certified public accountant, and no other person shall assume such title or use the abbreviation "C.P.A." or any other words or letters signifying that the person using the same is a certified public accountant, except as permitted by this act. Five years' experience as a public accountant in business for himself or in the employ of a public accountant shall be accepted as the equivalent of a high-school education.

Sec. 5. The department of registration and education shall make all necessary rules and regulations regarding the scope of examinations, the method and time of filing applications for examination, and all other rules and regulations necessary for carrying into effect the purposes of this act. The time and place of holding examinations shall be duly advertised for not less than three consecutive days in at least one daily newspaper published in each of the cities or towns of this state where the examinations are to be held, not less than thirty days prior to the date of such examinations. The foregoing examination shall be held not less than twice each year, at such time and place as the department may designate.

Sec. 6. The examinations shall be on the subjects of theory of accounts, practical accounting, auditing and commercial law as affecting accountancy. The examinations may be either written or oral, or partly written and partly oral. The questions propounded shall be a reasonable and fair test of the candidates' qualifications to practise and shall be reasonably susceptible of answer or solution in

the time allowed. The questions on accounting shall be based upon general accounting principles and shall not require a special knowledge on the part of the candidates of any particular kind of business. Each subject shall be marked separately, and every candidate shall be required to obtain a grading of seventy-five (75) per cent or over on each subject upon which he is examined. A candidate who has passed in one or more subjects shall be re-examined only on such subject or subjects as he shall have failed in. All examination papers shall be preserved for a period of at least one year after each candidate has been notified as to his gradings, and any candidate shall, upon written request to the department, have access to his papers and observe his grades.

Sec. 7. The department of registration and education shall charge each candidate for examination a fee of twenty-five dollars (\$25.00). This fee shall be payable by the candidate at the time of filing his application. In the event that the candidate fails to pass the first examination, he or she shall be entitled to sit for another examination, free of charge, if taken within two years after the first examination.

Sec. 8. Nothing in this act shall be construed as invalidating any certified public accountant certificate heretofore issued by the University of Illinois, under the prior accountancy laws of this state. The holders thereof shall be governed and controlled by the provisions of this act, and by the rules and regulations adopted by the department of registration and education.

Sec. 9. Any person holding a valid and unrevoked certificate as a certified public accountant, issued by any state or territory, or by the District of Columbia, who desires to practise as a certified public accountant in this state, may present such certificate to the department of registration and education, together with an application for a certificate of certified public accountant in the state of Illinois. Such application shall be accompanied by a fee of twenty-five dollars (\$25.00), and with such information as the department may consider necessary as to the character and qualifications of the applicant. If satisfied that the requirements for a certificate in such other state, territory or the District of Columbia are equivalent to those of this state, and that the applicant has the qualifications required of an applicant in this state, the department may issue a certificate as certified public accountant in Illinois to such applicant without examination. No such certificate shall be issued without examination unless such other state, territory or the District of Columbia extends a similar privilege to certified public accountants of this state.

Sec. 10. The department of registration and education may revoke any certificate issued under this act, or any prior act, if the holder thereof, (a) shall be convicted of a felony; or, (b) shall be declared by any court of competent jurisdiction to have committed any fraud; or (c) shall be declared by any court or commission to be insane or otherwise incompetent; or (d) shall be held by the department to be guilty of an act or default discreditable to the profession of public accountancy. Written notice shall previously be mailed to the holder of such certificate at his last known address, thirty days before any hearing thereon, stating fully the cause for such contemplated action, the names of any and all persons who shall be called as witnesses to testify

against him, and appointing a time and place for the hearing. No certificate shall be revoked or suspended until a hearing has been had. A record shall be preserved of the proceedings at such hearing.

Sec. 11. Nothing contained in this act shall operate to prevent a certified public accountant who is a holder of an unrevoked certificate issued in compliance with the laws of another state, territory, or the District of Columbia, from practising within this state, and styling himself a certified public accountant, provided that he register annually with the department of registration and education and pay the annual license fee, as provided for herein-after in this act. The department shall prescribe forms of application for such registry, and shall have authority to revoke or suspend such registry in the same manner as is provided for by this act for the revocation or suspension of certificates and licenses.

Sec. 12. All persons permitted by this act to practise in this state as certified public accountants, or as public accountants, shall pay an annual license fee of five dollars (\$5.00) to the department of registration and education, which fee shall be due and payable in advance on July first of each year. The department shall issue receipts for all fees collected, and it shall be unlawful for any public accountant under this act to practise as such after the expiration of ten days from the date on which such license fee is due and payable.

Sec. 13. The department of registration and education shall waive the examination and issue a certificate to any person who is a citizen of the United States or has duly declared his intention of becoming a citizen, who resides in the state of Illinois and who applies therefor on or before October 1, 1925, permitting such person to practise as a public accountant, provided that such person, on July 1, 1925, shall be practising as a public accountant on his own account, or shall have had five years' experience in the employ of either a certified public accountant or a public accountant.

Sec. 14. Nothing in this act shall prevent the employment by a certified public accountant or public accountant or by a firm or co-partnership of certified public accountants or public accountants of unlicensed employees, if the employees work under the adequate control and supervision of certified public accountants or licensed public accountants, and if the employees do not certify to any one as to the accuracy of any audit or any statement which is the result of an audit, or any accounting investigation which has been executed by such employees. Such unlicensed employees shall not hold themselves out as engaged in the practice of public accountancy.

Sec. 15. Any person representing himself to the public as having received a certificate or license as provided in this act, or assuming to practise as a certified public accountant, or public accountant, or to use the abbreviations, "C. P. A.," "L. P. A.," or "P. A." or any similar words or letters to indicate that the person using the same is a certified public accountant, public accountant or licensed public accountant, without having complied with the terms of this act, or any person having received a certificate or having been registered as provided in this act, and having thereafter been deprived of such certificate or registration by revocation or suspension, as provided in this act, who shall continue to practise as a certified public accountant, or public

accountant, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be fined a sum not to exceed two hundred dollars (\$200.00) for each offense.

Sec. 16. Nothing contained herein shall be considered as prohibiting certified public accountants, or public accountants of other states, territories or the District of Columbia, from practising in this state in pursuance of any engagement originating from without this state, provided that such accountant register with the department of registration and education and pay the annual license fee of five dollars (\$5.00).

Sec. 17. "An act to regulate the profession of public accountants," approved May 15, 1903, as amended, is repealed.

## **Pennsylvania**

The governor of Pennsylvania has approved the following amending act relative to audit of school districts:

Section 1. Be it enacted, etc., That section two thousand six hundred and three of the act, approved the eighteenth day of May one thousand nine hundred and eleven (*Pamphlet Laws*, three hundred and nine), entitled "An act to establish a public school system in the commonwealth of Pennsylvania, together with the provisions by which it shall be administered, and prescribing penalties for the violation thereof; providing revenue to establish and maintain the same, and the method of collecting such revenue; and repealing all laws, general, special or local, or any parts thereof, that are or may be inconsistent therewith," which was amended by section one of the act, approved the twenty-ninth day of June, one thousand nine hundred and twenty-three (*Pamphlet Laws*, nine hundred and forty-nine), entitled "An act to amend sections two thousand six hundred and three and two thousand six hundred and twenty, and sections two thousand six hundred and twenty-three as amended, and to repeal section two thousand six hundred and nineteen, of an act, approved the eighteenth day of May, one thousand nine hundred and eleven (*Pamphlet Laws*, three hundred and nine), entitled 'An act to establish a public school system in the commonwealth of Pennsylvania, together with the provisions by which it shall be administered, and prescribing penalties for the violation thereof; providing revenue to establish and maintain the same, and the method of collecting such revenue; and repealing all laws, general, special, or local, or any parts thereof, that are or may be inconsistent therewith,' by providing for the audit of accounts of second and third class school districts by the city, borough, or township controller or auditor; and fixing their compensation," is hereby further amended to read as follows:

Sec. 2603. In all school districts of the second and third class, by the proper city, borough, or township controller or auditors therein. When in any school district of the second class the annual expenditures exclusive of moneys received from the sale of bonds shall exceed the sum of five hundred thousand dollars, such district may employ a certified public accountant within sixty days from the close of the fiscal year.

Sec. 2. That section two thousand six hundred and twenty-three of said act, as last amended by section four of the said act, approved June twenty-ninth, one thousand nine hundred and twenty-three (*Pamphlet Laws*, nine hundred and forty-nine), is hereby further amended to read as follows:

Sec. 2623. The compensation for auditors, in school districts of the second and third class, shall be

five dollars (\$5.00) per day for each day necessarily spent by each auditor; and the total expense of such auditing, including the cost of filing the report, advertising, and other necessary costs, shall be paid by the school districts. The compensation of any certified public accountants employed by any school district of the second class shall be fixed by the directors of such district and paid by the district.

## **SPEECH REVIEWS**

### **R. J. BENNETT—"PRELIMINARY TRAINING FOR THE FIELD OF PUBLIC ACCOUNTING"**

Address delivered April 10th before the Eastern Commercial Teachers' Association.

The speaker stated that the development of commercial, financial and accounting education has progressed with leaps and bounds during his own experience, with the result that accountancy has become a recognized profession and the science of business a subject for specialized study. The young men and women desiring to enter the profession of accountancy should have, according to the speaker, at least a high school education. This academic foundation is a prerequisite to admission in most of the states. Where it is possible, a university training is to be desired. He predicted that the time will come when every candidate for certified public accountant examination will have to present a diploma from some recognized college or university. Following the academic training, a thorough bookkeeping course should be taken. A post-graduate course including production, transportation and marketing of commodities, with a prominent place given to the study of commercial geography and business processes, should follow. Stress should be given to the importance of accuracy and rapidity in addition, multiplication, division, billing, fractions, decimals, percentage and interest. A quick mathematical mind and a good memory are desirable qualities. Neatness and accuracy are valuable assets. The speaker recommended a term of two or more years in the business office of some good corporation, following the high school and business courses, before seeking employment on an accountant's staff. The speaker described the work of a professional accountant as exacting and continuous. Results and findings must be accurate and trustworthy, the outcome of actual investigation. Results and findings must be presented in a clear, understandable way. Familiarity with actual business is a prerequisite and a knowledge of business law and tax requirements is imperative. In closing the speaker stated that he believed that more lines of activity should be emphasized in the accountancy courses.

### **J. PRYSE GOODWIN—"DESIRABILITY OF ARBITRATION"**

Address delivered on January 13, 1925, before the New York chapter of the National Association of Cost Accountants.

The speaker pointed out that constructive service is rendered by arbitrators in European countries, and that in America, prior to 1920, a submission to arbitrate was revocable at any time before the filing

of the award. Adoption of the arbitration law of 1920 in New York made decisions of arbitrators enforceable as a judgment in a court of law. New Jersey soon followed with an arbitration law that was still more effective. Since then Oregon and Massachusetts have adopted arbitration laws and a federal act has been enacted which will become effective January 1, 1926. Many trades and industries have adopted arbitration as a part of their trade machinery. Engineers and architects and others are interested in having uniform arbitration clauses incorporated in their contracts. The speaker referred to the crowded court calendars in the larger centers and the great delay thus caused in obtaining a court decision. Contrasted with these conditions are the speed and low cost of settling business disputes by arbitration. He pointed out that it is not only a privilege but a duty for accountants to take an active interest in the effort to bring about the general use of arbitration.

### **ALEXANDER F. MAKAY—"OPPORTUNITIES IN THE ACCOUNTING PROFESSION"**

Address delivered May 15, 1925, to students and alumni at New York University.

The speaker pointed to the many opportunities offered by the profession of accountancy to gain admission to the business world. The basic knowledge required of public accountants proves of great value to individual undertakings. He discussed opportunities presented in the profession itself devoting a part of his remarks to the staff situation and to the question of busy and slow periods, suggesting a number of remedies which might equalize the work. The speaker expressed the belief that there is an opportunity for women in the profession and analyzed public accounting opportunities in large and small communities.

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Joseph J. Klein, New York, delivered an address on the board of tax appeals before the Accountants' Square Club of New York, June 4th.

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Ellis LeMaster, Spokane, addressed the Washington State Bankers' Association at a convention in May at Oroville, Washington, on the subject of financial statements, their form and contents.

## OBITUARY

### Robert Burns Benedict

Robert Burns Benedict, a member of the American Institute of Accountants and a certified public accountant of Oklahoma, died June 21st, at his home in Oklahoma

City. Mr. Benedict had been a member of the profession for twenty-four years and belonged to several business and social clubs. He was buried at Litchfield, Minnesota, with full Masonic honors.

## HERE AND THERE

Clinton H. Scovell, of Boston, Massachusetts, has been elected president of the National Association of Cost Accountants. Mr. Scovell is a member of the American Institute of Accountants.

Emile Bienvenu announces that the firm of Bienvenu & Winchester has been dissolved, effective June 30, 1925, and that he will continue in practice with offices at 1403 Hibernia Bank building, New Orleans.

Cornell & Co., announce the opening of a Chicago office at 1215 Federal Reserve Bank building, with John K. Laird as resident partner.

J. S. M. Goodloe announces the removal of his office to 165 Broadway, New York.

W. L. Hausman announces his affiliation with the firm of Spaulding F. Glass & Co., at 900 Orear-Leslie Building, Kansas City, Mo.

W. H. Mainwaring & Co. announce the removal of their office from the L. and P. Building to the eighth floor of the Clinton Building, Fourth and Boston streets, Tulsa, Okla.

Raines, Fisch & Rothman will occupy new offices at 1431 Broadway, New York.

H. Winfield Wright & Co., of Philadelphia, have moved to 322-4 Drexel building.

The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

Martin J. Arft, of Toledo, Ohio, has been appointed a member of the state board of accountancy by Governor Donahey, to serve until May 21, 1928.

Miller Bailey, has been appointed president of the Kansas City chapter of the Missouri Society of Certified Public Accountants.

Reynold E. Blight, Los Angeles, delivered several public addresses during the last month. He spoke in Los Angeles and Pasadena, usually upon some phase of education. On June 26th, he addressed the Los Angeles chapter of the California State Society of Certified Public Accountants on a suggested programme for a publicity campaign.

W. B. Castenholz, Chicago, spoke on administrative and selling costs at the convention of the National Association of Cost Accountants, Detroit, June 17th.

Edward E. Gore, Chicago, delivered a speech on recent tendencies in professional practice at a meeting of the Ohio Society of Certified Public Accountants and the accounting department of Ohio State University, June 5th.

Harold Dudley Greeley, New York, addressed the Ohio Society of Certified Public Accountants and the accounting department of the Ohio State University at a meeting held June 5th on "Why accountants should recognize certain questions of law."

John T. Madden addressed the graduating class of the school of commerce of New York University, June 10th.

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J. Arthur Marvin, Chicago, spoke before the Lions' Club of Wheaton, Illinois, May 21st, on the development and growth of service clubs and their value to the community.

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Homer S. Pace, New York, was the speaker at the annual banquet of the Pace club of Boston held May 16th.

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P. W. Pettingill, Chicago, was the author of an article on keeping balance-sheet figures up to the minute, which appeared in the *Bankers' Monthly* for June.

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Ernest Reckitt delivered an address, one of a series of four, before the Illinois Society of Certified Public Accountants, at Chicago, May 6th.

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Charles M. Riedell addressed the Exchange club of New York, May 14th, on credit frauds.

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Charles F. Rittenhouse, Boston, was elected a director of the Boston chapter of the National Association of Cost Accountants, at a meeting held May 28th. On June 5th, Mr. Rittenhouse discussed the recent tendencies in accounting education at a meeting of the Ohio Society of Certified Public Accountants and the department of accounting of the Ohio State University.

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Louis Schotz, of Paterson, New Jersey, spoke on credit frauds before the Kiwanis club of Paterson, June 16th.

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H. F. Seward addressed the Bridgeport Credit Men's Association at Bridgeport, April 28th, on financial analysis.

Charles C. Sheppard was elected president of the Pittsburgh chapter of the National Association of Cost Accountants, at a meeting held May 20th.

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E. Elmer Staub, now resident in Berlin wrote an article on German finance and industry that appeared in the April issue of *Management and Industry*.

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Norvel M. Stiers of Indianapolis, addressed a group at the Indianapolis Y. M. C. A. on physical training for the business man.

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Herbert G. Stockwell has just published a book, "How to read a financial statement."

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Charles L. Talbot, Boston, was elected vice-president of the Boston chapter of the National Association of Cost Accountants, at a meeting held May 28th.

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Henry M. Thomson was elected president of the Los Angeles chapter of the National Association of Cost Accountants on May 21st.

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Charles Weissinger, Philadelphia, has been appointed permanent receiver of the Bell Coal Company.

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Raymond D. Willard has been elected a director of the Boston chapter of the National Association of Cost Accountants.

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George R. Young of Connecticut took part in a drive to raise \$250,000 for the Waterbury Y. M. C. A. building fund.

# Bulletin Supplement

July 15, 1925.

## To Members and Associates of the American Institute of Accountants:

The board of examiners has considered the examination papers of all applicants for admission to the American Institute of Accountants. Of 26 candidates who took the written examinations, 13 passed, 2 were conditioned and 11 failed. Of those successful 9 are eligible as members, and 4 as associates. Three applicants for admission as members and 6 as associates were given credit for having already passed the Institute examinations for a C. P. A. degree. By obtaining credit for other examinations acceptable to the Institute, 6 were eligible as members, and 2 as associates. Eight associates were recommended for advancement to membership.

The following is an alphabetical list of those recommended by the board of examiners for election:

### *For Advancement to Membership:*

Joseph Alcidos Boulay, Minneapolis (Now an Associate)  
William Harrison Compton, Trenton (Now an Associate)  
Lewis Littster Davis, Atlanta (Now an Associate)  
William Claude Heaton, New York (Now an Associate)  
Robert Gregory Sparrow, New York (Now an Associate)  
Isaac Wagner, Chicago (Now an Associate)  
Julius Varga Weiss, Chicago (Now an Associate)  
George Rowland Young, Waterbury (Now an Associate)

### *For Admission as Members:*

Walter Earl Baker, Chicago  
Herbert Pearce Brown, New York  
Henry C. Cole, Philadelphia  
Raymond Vanlores Ellis, Rochester  
Anna Grace Francis, Chicago  
Henry Duffus Hadden, New York  
John Sigfrid Hagberg, Chicago  
Thomas Eddy Hardenbergh, New York  
George J. Lehman, St. Louis

Edward James Murnane, Chicago  
Maurice Potter, Boston  
Clarence G. Rausch, Akron  
Edward Chapman Romine, New York  
Ralph W. Smith, Rochester  
Buford A. Timmons, Knoxville  
Louis Toth, New York  
Cole Trostler, New York  
Earl A. Waldo, Minneapolis

### *For Admission as Associates:*

Rudolph Bergman, New York  
William Howard Billington, Chicago  
Robert Alfred Bryant, Chicago  
Harold Earle Chadburn, New York  
Henry Sealy Chapin, New York  
Joseph M. Kane, Chicago

Archer DeWitt Lewis, Casper, Wyoming  
Elmer C. Martin, Kansas City  
Herman J. Meyer, New York  
Sidney P. Stump, Akron  
Robert Warren Williams, New York  
Clarke I. Wilson, Chicago

These applicants do not become members (or associates) until they are elected by the council, which is voting by mail ballot. If protest is to be made against the election of any applicant on the list, it should reach the offices of the Institute by August 1st.

A. P. RICHARDSON, *Secretary.*

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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AUGUST 15, 1925

SERIES B, No. 16

### ANNUAL MEETING OF AMERICAN INSTITUTE OF ACCOUNTANTS

The annual meeting of the American Institute of Accountants will take place September 15 and 16, 1925, at the Washington Hotel, Pennsylvania avenue and Fifteenth street, Washington, D. C.

Meetings of council, board of examiners and American Institute of Accountants Foundation will be held on the day preceding and the day succeeding the general meeting.

The following outline of the programme prepared by the committee on meetings is published for information of members and other readers of the *Bulletin*.

#### MONDAY, SEPTEMBER 14, 1925

Registration—All day

- 10 A. M.—Meeting of council.
- 2 P. M. Meeting of trustees, American Institute of Accountants Foundation.
- 3 P. M.—Meeting of Members of Examining Boards.

#### TUESDAY, SEPTEMBER 15, 1925

Registration—All day

- 10 A. M.—Invocation.  
Business session.  
Reports of officers, council and committees.
- 2 P. M.—Business session.
- 2:30 P. M.—Address: "Taxable Income and Accounting Bases for Determining It," by George O. May.  
Discussion.
- 5 P. M.—Annual meeting, American Institute of Accountants Foundation.

#### WEDNESDAY, SEPTEMBER 16, 1925

- 10 A. M.—Business session.  
Election of officers and members of council.
- 11 A. M.—Business session.  
Report of committee on public affairs.
- 2 P. M.—Business session.
- 2:30 P. M.—Address: "The Law of Evidence," by J. Harry Covington.  
Discussion.
- 7 P. M.—Banquet.

#### THURSDAY, SEPTEMBER 17, 1925

- 10 A. M.—Meeting of council.

An error was made in the July *Bulletin* of the Institute in regard to the programme for the annual meeting. The regular meeting of the Institute board of examiners and members of state boards of accountancy will take place on Monday, September 14th, not September 21st, as erroneously stated.

The committee on meetings will make further announcement in the near future in regard to details of the general programme and also of entertainment.

All requests for reservations should be addressed to the manager, Washington Hotel, Washington, D. C.

For information address the chairman of the committee on meetings, A. M. Pullen, State and City Bank building, Richmond, Virginia, or the offices of the Institute, 135 Cedar street, New York, N. Y.



## **American Institute of Accountants' Golf Club**

In conjunction with the annual meeting a golf tournament will be held at the Congressional country club, Rockville, Maryland, near Washington, D. C., on Monday, September 14th, prior to the general meeting. Those who wish may play also on Sunday afternoon (13th) as the club will be open that afternoon. Players may take rooms at the club (wives admitted also) and stay Sunday night as well as Monday night, if they desire. W. N. Smith, 508 Transportation building, 17th and H Streets, N. W., Washington, D. C., will act for the committee. Please address correspondence to him and make reservations.

The Congressional country club has one of the finest club houses and the course is most interesting, being in rolling open country with plenty of natural hazards. Greens fees will be paid by each player each day.

The special feature of this tournament will be contests between teams of four players for the trophy presented by the Missouri State Society of Certified Public Accountants, to be known as "Missouri golf trophy." The contest is open to teams from the various state chapters (or societies, if there is no chapter in the state). The four team players must be members of the chapter or society which they represent. The team matches will be played on Monday; medal play; eighteen holes. Players with substantially the same handicaps (club or state) will play together and the trophy will be won by the team having the lowest gross score (*i. e.* total of the four gross scores of its players). The trophy will be held for a year by the winning team. Players must play through the eighteen holes. Scores must be kept by opponents in each instance. Entrance applications must be received by Mr. Smith prior to Monday, September 14th and must be endorsed by the secretary or other officer of the chapter or society. There will be no entrance fee, but the regular greens fees of the club must be paid.

In addition to the Missouri tournament there will be three other events:

*First.* A "kickers" handicap (blind bogey). Each player before starting will select his own handicap to be based on

"scratch" which will be the lowest individual gross score during the tournament by players entered in this event. By this plan the player will have a double guess (a) what will be the "scratch" score and (b) what will be his own score and his corresponding selected handicap. There will be ten prizes in this event. Entrance fee, one dollar in addition to the regular club greens fees.

*Second.* A match between east and west—the Appalachian mountains forming the dividing line. Each player entered from the east will match up with a player from the west who has a chapter or state handicap approximating his own. This will be match play. The winners will receive prizes from the losers. The latter will each turn over a prize, or money for a prize, to Mr. Smith.

*Third.* Prizes will be presented in medal play for the lowest gross score and the second and third lowest for any round of eighteen holes, played Sunday afternoon, Monday morning, or Monday afternoon. A player may play once, twice or three times, if he wishes, and select his best continuous round. Opponents must keep scores, attest them, and hand them in by Monday night to Mr. Smith. There will be prizes for first, second and third best net, based on club or state handicaps. Players without club or state handicaps will not be eligible for the net prizes. Prizes will be given for the lowest gross and lowest net in each nine holes; also for largest number of consecutive holes in par; also for largest number of par holes in any round of eighteen. Entrance fee, one dollar, to be paid to Mr. Smith, or his representative, before starting. Club or state handicap to be certified at the same time. No player will be entitled to more than one prize. If best in more than one he may choose which he will take. This does not apply to the tournament between east and west, which is match play, the losers to provide prizes for the winners, and of course it does not apply to the Missouri trophy play. Handicaps must be recorded with the starter before beginning play, or the player will be disqualified for prizes. A player may enter as many events as he wishes and his same gross score will be applicable to all, provided he records his

club or state handicap and his "kickers" selected handicap and pays his entrance and greens fees before beginning play.

Owing to the difficulties heretofore experienced in holding the tournament after the meeting, the committee is trying the experiment of playing prior to the meeting; Sunday afternoon and all day Monday. With the programme laid out there are

chances of winning open to golfers of every class—the low handicap men for the three gross prizes, the two par prizes and the Missouri trophy; the bigger handicap men for the three net prizes; while all have an equal chance in the "kickers" handicap and the east versus west events.

Harvey S. Chase is acting chairman of the golf committee.

## BOARD OF EXAMINERS;

### Election of Applicants

Upon recommendation of the board of examiners, and after a vote of the council taken by mail, the president, John B. Niven, has declared the following applicants duly elected as members and associates respectively of the American Institute of Accountants:

#### *Advanced to Membership:*

Joseph Alcidos Boulay, Minneapolis  
William Harrison Compton, Trenton  
Lewis Littster Davis, Atlanta  
William C. Heaton, New York  
Robert Gregory Sparrow, New York  
Isaac Wagner, Chicago  
Julius Varga Weiss, Chicago  
George Rowland Young, Waterbury

#### *Members:*

Walter Earl Baker, Chicago  
Herbert Pearce Brown, New York  
Henry C. Cole, Philadelphia  
Raymond Vanlores Ellis, Rochester  
Anna Grace Francis, Chicago  
Henry Duffus Hadden, New York  
John Sigfrid Hagberg, Chicago  
Thomas Eddy Hardenbergh, New York  
George J. Lehman, St. Louis  
Edward James Murnane, Chicago  
Maurice Potter, Boston  
Clarence G. Rausch, Akron  
Edward Chapman Romine, New York

Ralph W. Smith, Rochester  
Buford A. Timmons, Knoxville  
Louis Toth, New York  
Cole Trostler, New York  
Earl A. Waldo, Minneapolis

#### *Associates:*

Rudolph Bergman, New York  
William Howard Billington, Chicago  
Robert Alfred Bryant, Chicago  
Harold Earle Chadburn, New York  
Henry Sealy Chapin, New York  
Joseph M. Kane, Chicago  
Archer DeWitt Lewis, Casper  
Elmer C. Martin, Kansas City  
Herman J. Meyer, New York  
Sidney P. Stump, Akron  
Robert Warren Williams, New York  
Clarke I. Wilson, Chicago

### Institute Examinations

The board of examiners announces that the fall examinations of the American Institute of Accountants will be held November 12th and 13th.

Applications for these examinations should be presented to the board sixty days prior to the date of examination.

Application blanks and circulars of information may be obtained from the offices of the Institute.

## COMMITTEE ACTIVITIES

### Committee on Nominations

The following report of the committee on nominations will be presented at the annual meeting:—

The committee on nominations desires to place before the council the following list of nominees who have been approved by the committee on nominations. The nominees

have been notified and have been requested to advise the committee as to their willingness to accept the nomination, and if elected to serve in the office for which named:

#### *President:*

William H. West (New York)

#### *Vice-Presidents:*

John F. Forbes (California)

Frederick A. Ross (New York)

*Treasurer:*

Arthur W. Teele (New York)

*Council for five years:*

Arthur H. Carter (New York)

Henry C. Magee (Pennsylvania)

John B. Niven (New Jersey)

Waldron H. Rand (Massachusetts)

Ernest Reckitt (Illinois)

Ernest A. Roden (Ohio)

C. R. Whitworth (Illinois)

*Council for four years:*

Stanley G. H. Fitch (Massachusetts)

*Auditors:*

R. J. Bennett (Pennsylvania)

Wm. P. Bickett (New York)

It was the unanimous wish of the nominating committee that John B. Niven, the present president, should be re-elected to the presidency for the coming year. No man has served the profession with greater distinction and devotion, and the committee would have been gratified to have had the privilege of placing his name again in nomination for the highest office in the profession. Mr. Niven, however, for personal reasons, requested that he be not re-nominated, and in view of his evident desire that his name should not be put forward the committee regretfully acquiesced. It is the opinion of the committee that the established precedent that the president should be re-elected to serve a second term is for the good of the Institute. In departing from that precedent on this occasion the committee does so solely at the request of Mr. Niven.

Respectfully submitted for committee on nominations,

ELMER L. HATTER,  
*Chairman.*

### **Special Committee on Public Affairs**

The staff of the bureau of public affairs is engaged in compiling records of the public service activities of members and associates of the Institute performed during the current fiscal year. The information so far tabulated indicates that the membership has participated generously in such activities. Many contacts have been made for the Institute with organizations of a public, quasi-public and civic nature in all parts of the country and valuable services have been performed.

The committee asks that members and associates who have neglected to keep the committee informed of their activities make a point of sending information to the com-

mittee this month, so that the record of the public service of members and associates may be as nearly complete as possible. This record should contain reports of all services performed for or through other organizations, of speeches made and of books or articles written and published.

Facts related to the work of public accountants and of all activities of the Institute have been placed in the hands of many organizations during the year. This has been accomplished partly by the activities of members and associates in attending meetings and performing services for other organizations and partly through the printed page.

Appreciation of the methods adopted by the committee is voiced by Henry F. Moore of Walla Walla, Washington, who under date of July 13th wrote in part: "Under the recent method of distributing letter-bulletin 3 we are brought into direct contact with banks, newspapers and men of affairs. I cannot commend too highly this method or the splendid work of the bureau in the preparation of the matter for distribution."

The bureau is exchanging bulletins with a majority of the larger chambers of commerce of the country, with the result that copies of the Institute bulletin and of the letter-bulletins issued by the committee on public affairs are placed on the reading tables of these civic and business organizations. It is planned to extend this exchange to include trade organizations and trade publications.

A service that is valuable to accountancy as well as to the general public is being performed by George Rea, New York, who is serving on committee IV on the cost of distribution of the national distribution conference organized by the Chamber of Commerce of the United States. Similar contacts with other national movements and organizations are planned.

Preparation of letter-bulletin 4 is under way. The committee asks again for the coöperation of members and associates. It desires from them statements of their ideas as to desirable amendments to the federal income-tax law, with which the forthcoming letter-bulletin will deal. The committee does not plan to set forth an entire tax law or a model measure and will carefully avoid controversial questions of a political nature. The committee has in mind making techni-

cal suggestions for the improvement and simplification of procedure in levying and collecting the federal income tax. This work is being done in conjunction with the committee on federal legislation and the committee on state legislation. The committee calls attention to its announcement in the July issue of the Institute *Bulletin* and asks again for full expression of opinions from persons most competent to advise.

Distribution of letter-bulletin 3, on credit frauds, continues. Among the organizations which have requested copies for distribution to their members are the California Manufacturers' Association which asked for 1100 copies, the Detroit Association of Credit Men, the Foundry Equipment Manufacturers' Association of Cleveland, Ohio, the American Gear Manufacturers' Association, the Southern Sash, Door & Millwork Manufacturers' Association, the National Boot and Shoe Manufacturers' Association, the Refrigerating Machinery Association, the National School Supply Association, the Oak Flooring Manufacturers' Association, the Compressed Gas Manufacturers' Association, The Direct Mail Advertising Association, the Albany

chamber of commerce and the chamber of commerce of Bridgeport, Connecticut.

Secretary J. A. Gathrop of the Richmond chamber of commerce wrote: "You are rendering a very valuable service in securing information in regard to credit frauds and we hope that your efforts will result in substantial benefit."

In pamphlet No. 2 in an information series published by the Arbitration Society of America, a description is given of the progress of the commercial arbitration movement to date, and recognition is made of the coöperation given the Arbitration Society of America by the American Institute of Accountants as follows:

"The American Institute of Accountants, through its bureau of public affairs, has given the Arbitration Society invaluable service in its work. The first letter-bulletin issued by the bureau in May, 1924, and distributed to its several thousand members and among banking and commercial groups and chambers of commerce throughout the country, was devoted exclusively to arbitration, explaining its principles and procedure, and urging individual coöperation with the society for the enactment of legislation that will establish effective arbitration in all the states. This appeal has been translated into active coöperation in the states in which arbitration bills were introduced this year."

## STATE BOARDS OF ACCOUNTANCY

### Minnesota

As a result of the May examinations conducted by the Minnesota state board of accountancy, state certificates have been awarded to the following applicants: Rudolph H. Anderson, Arthur B. Bolte, Fred Pillsbury Carleton and Gaylord S. Davidson.

### Alaska

The governor of Alaska has appointed the following members of the territorial board of accountancy under the new law approved April 28, 1925: John E. Meals, Anchorage, president, Wallis S. George, Juneau, secretary, and Barney A. Rosselle, Juneau.

## NEWS OF LOCAL SOCIETIES

### California

At the annual meeting of the California State Society of Certified Public Accountants the following officers were elected: H. Ivor Thomas, president; Norman L. McLaren, first vice-president; H. A. Wheeler, second vice-president; John F. Forbes, secretary and treasurer. The directors chosen are: from the San Francisco

chapter, William Dolge, B. W. Bours, Alfred J. Watson, J. R. Ruckstell, C. P. Carruthers and Mertile Cerf; from the Los Angeles chapter, R. W. E. Cole, George M. Thompson, A. D. MacLeod, W. C. Kottemann, I. G. Pattinson and H. B. Mills.

The San Francisco and Los Angeles chapters of the California society have

been active in entertaining the visiting division of the United States board of tax appeals, consisting of A. C. Graupner, Charles M. Trammell and P. W. Phillips. Several closed meetings were held, when interesting and instructive addresses were delivered by the members of the board.

William Dolge has retired from office in the California State Society of Certified Public Accountants, and has also resigned his position on the California state board of accountancy. Pressure of business and private affairs forced Mr. Dolge to relinquish these positions.

### **Illinois**

A special meeting of the members of the Illinois Society of Certified Public Accountants held July 17, 1925, for the purpose of considering the situation which has arisen with the passage of the new accountancy law in Illinois, was unusually well attended. The meeting was addressed by Edward E. Gore and Frederick B. Andrews, both former presidents of the Illinois society and members of the American Institute, and by Walter F. Dodd, attorney for the society and a member of the Illinois accountancy board under the old law.

The principal effects of the new law are said to be that it transfers all administrative duties from the state university to a state department at Springfield, prevents issuance of further C. P. A. certificates by the state of Illinois, and requires everyone who seeks to practise public accountancy in Illinois to be registered with and licensed by the state. Holders of present Illinois C. P. A. certificates or of certificates issued by other states are not affected by the new law except that they are required to register and pay an annual license fee. The law provides that those who are not certified public accountants shall be registered and certified as "public accountants" and by inference seems to permit them to style themselves "licensed public accountants," a term which obviously will be confused with the term "certified public accountant" now in use.

The society has been advised by eminent attorneys in Chicago that several features of the bill appeared to be in violation of the Illinois state constitution, and a committee has been appointed for the purpose of considering this and every other possi-

bility for protecting the interests of the certified public accountants practising in Illinois. The members of this committee are: Arthur Andersen, chairman; C. R. Whitworth, George W. Rossetter, Frederick B. Andrews and Walter M. LeClear.

The committee has retained counsel and given notice of its intention to institute litigation which will test the validity of the new law. The committee will also take such other steps as it deems advisable in the interest of certified public accountants practising in Illinois.

### **Manitoba**

At the annual meeting of the Manitoba Institute of Chartered Accountants at Winnipeg on June 25th the following officers were elected: President, S. George Brown; vice-president, W. D. Glendenning; secretary, Keith Drennan; council: W. Aitken, S. G. Brown, R. S. Kirkland, David Murray, W. J. Macdonald, John Parton and Thomas Rathyan. The councillors whose term of office does not expire until June, 1926, are: G. S. Laing, E. S. Read, T. W. Saul, and U. E. Shackleton.

### **Massachusetts**

The Massachusetts Society of Certified Public Accountants held its annual outing at the Pemberton Inn, Pemberton, on June 29th. More than two hundred members attended. The afternoon was devoted to field and water sports, followed by a banquet and dancing in the evening.

### **Pennsylvania**

The Pennsylvania Institute of Certified Public Accountants held a business meeting on July 20th at the Manufacturers' club in Philadelphia. Joseph M. Pugh was made chairman of a golf committee to arrange for the participation by the members of Pennsylvania district in the golf tournament to be held in conjunction with the American Institute meeting at Washington in September.

At the request of the Pennsylvania Institute of Certified Public Accountants, through its committee on education, the undersigned members of the Institute have consented to conduct a "quiz class" during the months of September and October 1925. The lecturers will be as follows: Edw. P. Moxey, professor of accounting,

Wharton School, university of Pennsylvania; Clarence N. Callender, attorney at law and assistant professor of business law, university of Pennsylvania; Robert J. Bennett, secretary, Pennsylvania Institute of C. P. A.'s.

The subjects of accounting and business law will make up the curriculum. The course is open to accounting seniors and candidates for the C. P. A. examination and to those who are capable of meeting the requirements. It will be an intensive, thorough review of the field of subjects prescribed by the board of examiners of Pennsylvania.

The committee on education in reporting upon the class in April, stated:

"It is appreciated by your committee that these gentlemen are entering upon this service out of an open sense of duty to our institute, and knowing that the course will be conducted in a dignified, worth while way, your committee believes that the institute should feel highly gratified in securing such prominent men for this work."

Further particulars and a registration blank may be had by addressing either Edward P. Moxey Real Estate Trust building, Philadelphia, or R. J. Bennett, Land Title building, Philadelphia.

### Ohio

The spring meeting of the Ohio Society of Certified Public Accountants was held at Columbus, Ohio, on June 5th and 6th, at the Ohio state university. The meeting was well attended.

## STATE LEGISLATION

### Alaska

The accountancy law of the territory of Alaska has been amended, the amendments being approved April 28, 1925. The law as amended now reads as follows:

Be it enacted by the legislature of the territory of Alaska:

Section 1. There is hereby created a territorial board of accountancy consisting of three members. Each member of the board shall be a person skilled in the knowledge and practice of accountancy, a citizen of the United States and a resident of the territory of Alaska, and, except as hereinafter provided, shall have passed a satisfactory examination and received a degree in public accounting as a certified public accountant under the laws of the territory of Alaska. The first three members of the board, by virtue of their appointment, shall be deemed certified public accountants during their term of office.

Sec. 2. The first three members of the board shall be appointed by the governor of Alaska within thirty days after the date on which this act becomes effective, or as soon thereafter as may be convenient. Of the members so appointed, one shall hold office for the period of two years from and after January 1, 1925, one for four years after said date, and one for six years after said date, and until the appointment of their successors. Each second year the governor, with the advice and consent of the senate shall appoint one member of the board who shall serve for a term of six years and until his successor shall have been appointed. A vacancy on the board shall be filled by the governor by appointment for the unexpired term, subject, however, to confirmation by the senate when the senate shall next again be in session after the date of such appointment. The appointment of a member of the board to fill a vacancy on the board shall be in all respects valid and effective

unless and until the senate shall refuse to confirm such appointment.

Sec. 3. The board shall organize by electing one of its members president, and one secretary and treasurer. The secretary and treasurer shall give bond to the territory in such sum and with such sureties as the board shall direct, which bond shall be executed in duplicate, one for filing with the board, and the other with the territorial treasurer. The board shall keep a record of all its proceedings, and shall report annually to the governor.

Sec. 4. A citizen of the United States and of the territory of Alaska, not less than twenty-five years of age, of good moral character, who shall have a diploma from a recognized high school or shall present satisfactory evidence of an equivalent education, who shall have had not less than five years' experience in the practice of accountancy, and who has received from the territorial board of accountancy a certificate of his qualifications shall be styled and known as a certified public accountant, and no other person, except as hereinafter provided, shall assume such a title or use the letters "C. P. A." or other words indicating that he is a certified public accountant. Upon presentation of evidence that he is a holder of the degree of certified public accountant, such holder shall be exempted from the performance of jury duty in civil actions if he so requests. A certified public accountant shall not be subject to examination on confidential communications between his client and himself nor forced to divulge any information which he shall have acquired as a confidential communication, except at the instance of his client, and any certified public accountant who shall otherwise divulge such information shall have his certificate revoked and shall not afterwards be licensed to practise accountancy in the territory.

Sec. 5. Examinations shall be held at the times and places selected by the board, but the board shall not hold more than two examinations in any one

calendar year. Examination shall be written and such additional oral examinations may be given as the board may prescribe. The written examinations of applicants shall be those prescribed by the American Institute of Accountants in the rules of the board of examiners of that Institute approved June 13, 1922, or as may be altered from time to time by the council of said American Institute of Accountants. The board may make the necessary arrangements with the council of the American Institute of Accountants to grade the answers of the candidates, but the final grading of the answers shall be made by the board. Provided, however, that in any case where the person wishing to take the examination resides in a place remote from the meeting place of the board, the examination of such person may be given under the supervision of some reliable person, not a member of the board, of good standing in the community in which he resides, such examiner to be appointed by the board. In such case the board shall make proper rules and regulations to insure a fair and proper examination. The answers of the person or persons so examined shall, upon close of the examination, be immediately sealed up by the examiner and forthwith transmitted to the board by registered mail, and the board shall thereupon grade the examination papers the same as in the case of persons examined before the members of the board. Nothing herein contained shall be so construed as to prevent one member of the board from giving examinations under directions of and with consent of the board, but all examination papers shall be finally graded by the board.

Sec. 6. At the time of examination each applicant shall pay to the board a fee of twenty-five dollars (\$25.00) which shall not be refunded, but an applicant may be re-examined once without the payment of an additional fee within eighteen (18) months from the date of his first examination. All fees so collected shall be covered into the territorial treasury.

Sec. 7. For the establishment and maintenance of the board there is hereby appropriated out of any money in the territorial treasury not otherwise appropriated, the sum of five hundred dollars, the same to be disbursed as other territorial funds, but vouchers for all such disbursements must be approved by at least one member of the board.

Sec. 8. A person who shall qualify for examination and shall in addition present satisfactory evidence that he is the holder of an unrevoked certificate from another state or a foreign country may be granted a certificate by the board without formal examination and upon the payment of such fee as the board shall direct, but which shall not exceed one hundred (\$100.00) dollars.

Sec. 9. The board shall have the authority to revoke upon reasonable cause any certificate issued by it after a hearing shall have been had by the board. The holder of such certificate shall be notified of such hearing at least two months prior to the date thereof by registered mail.

Sec. 10. Where practicable and in consonance with the best interests of the territory, the governor shall, in the appointment of all accountants and auditors for the territory, give preference to those holding certificates from the board as certified public accountants.

Sec. 11. Nothing in this act shall be construed to prohibit any person from practising accountancy.

Nothing in this act shall be construed to prohibit the holder of an unrevoked degree from another state or foreign nation from describing himself as so authorized; provided, that such person shall indicate in full, not by abbreviation, and after each title or description each and every time it is used, the source thereof or authority therefor.

Sec. 12. Any person or persons who shall unlawfully make use of words or descriptions to indicate that he or they are in possession of a certificate from the board shall be deemed guilty of a misdemeanor, and shall be punishable by a fine of not more than one hundred (\$100.00) dollars or imprisonment for not more than one month, or both, at the discretion of the court.

Sec. 13. The secretary and treasurer of the board shall each year, within thirty days after January first, render to the governor of Alaska a report setting out the number of persons examined by the board during the preceding calendar year, the number who received the degree of certified public accountant from the board, the number of those examined who failed to pass such examination, the number of persons re-examined, the number of certificates revoked, and the total amounts received and disbursed by the board. With such report the secretary and treasurer of the board shall transmit, by money order, draft or other form of exchange payable to the treasurer of the territory of Alaska, all funds in possession of the board.

Approved May 3, 1923.

Sections 1, 2, 5, 6, amended as above, approved April 28, 1925.

## Georgia

A new accountancy bill in Georgia has been recommended for passage by the senate judiciary committee. The bill follows:

To be entitled "An act to establish the Georgia state board of accountancy"; to grant the board the usual and necessary administrative powers; to define a public accountant; to define the status of a certified public accountant; to prescribe conditions under which firms and corporations may practise public accountancy; to provide for the granting and issuing of certificates or permits to public accountants who qualify under the provisions of this act; to provide for the revoking and cancelling of certificates so issued; to provide an annual registration fee; to regulate the practice of public accounting; to prohibit the practice thereof by non-registered persons; to provide for the employment of non-registered persons; to provide for the collection of examination fees; to provide compensation for the members of the board of accountancy; to provide a penalty for violations of the terms of this act by making such violations a misdemeanor; to provide what shall be a violation of the terms of this act; to provide that the present members of the board shall serve until the expiration of their terms, and until their successors are elected; to repeal all laws and parts of laws inconsistent with this act, and for other purposes.

Be it enacted by the general assembly of the state of Georgia, and it is hereby enacted by authority of the same, that:

Section 1. From and after passage of this act, the present members of the state board of accountants

shall hold their office for the term for which they have been heretofore appointed and shall perform all of the duties prescribed and required by this act; and their successors shall subsequently be appointed by the governor of Georgia in accordance with the terms of this act.

The said board under the terms of this act shall consist of three (3) members, just as the present board of accountants is now constituted, and shall possess the same qualifications as named for the present occupants of the board.

Any member of said board may be removed by the governor for misconduct, incompetency, or neglect of duty, or for such other reasons as he may deem sufficient.

Any vacancy that may occur for any cause shall be filled by the governor for the unexpired term under the same conditions that govern regular appointments.

Every member shall hold office until his successor is appointed and qualified.

On the expiration of the terms of the present members of the board, the governor shall appoint three citizens of the United States who are residents of this state, who shall constitute and serve as the Georgia state board of accountancy hereinafter called the board. One certified public accountant shall be appointed for a term of two (2) years, and one certified public accountant shall be appointed for a term of four (4) years, and, upon the expiration of each of said terms and of each succeeding term, a certified public accountant member shall be appointed for a term of three (3) years. Each successor to these two members shall be selected from certified public accountants holding certificates obtained in this state, who have been practising in this state for at least three (3) years.

One (1) member of this board shall be a practising attorney in good standing in the courts of the state, appointed in the first instance for a term of three (3) years, and upon the expiration of said term and of each succeeding term, shall be appointed for a term of three (3) years, such successors to be practising attorneys in good standing as hereinbefore mentioned. Each member of the board shall receive a certificate of appointment from the governor and before entering upon his duties, shall file with the secretary of state the constitutional oath of office.

Sec. 2. The board, being charged with the responsibility for the administration of this act, shall have power to design and use a seal, compel the attendance of witnesses, administer oaths, take testimony, and receive proofs concerning all matters within its jurisdiction. Should any three (3) certified public accountants of this state prefer charges in writing to the board under this act, the board shall hear the charges thus preferred, and take action with regard thereto. The board shall formulate rules for its guidance, not inconsistent with the provisions of this act, and print the same for distribution.

Sec. 3. The board shall annually elect one of its accountant members as chairman, and one as secretary-treasurer, while the lawyer member shall be designated as counsel. It shall make an annual report to the governor. It shall keep all applications filed, all documents under oath, a record of its proceedings, and shall maintain a register of the names and addresses of all persons applying for, and of those receiving certificates under this act, any of which, or a certified copy thereof, shall be prima-facie evidence of all matters covered by them.

Sec. 4. Two members shall constitute a quorum at any meeting of the board for which a notice of five (5) days has been given by the chairman or secretary. If less notice is given, all members of the board must be present. Meetings at which examinations will be given shall be held at least twice each year, in the months of May and November. The times and places for holding said examinations shall be advertised at least three (3) consecutive days in daily newspapers published in three (3) different cities, at least thirty (30) days prior to the dates of such examinations, and notices of the same shall be mailed to all certificate holders and to all applicants for certificates under this act. The board may require applicants to appear in person to answer questions or produce evidence to sustain facts which will determine whether the qualifications of the applicant are as prescribed by this act and the rules of the board.

Sec. 5. The board shall charge each applicant for a certificate or permit a fee of twenty-five dollars (\$25.00). The fee shall accompany the application, which must be made on a blank provided by the board.

Sec. 6. The board shall, in December of each year, issue a registration card to any holder of a C. P. A. certificate, and a permit card to any other person who may practise as a public accountant under the provisions of this act, which cards shall be good until December thirty-first (31) of the next succeeding year, charging therefor a fee of two dollars (\$2.00). A registration card or a permit card shall also be issued to any firm or corporation which has complied with the provisions of section 12 or section 13, for which a fee of two dollars (\$2.00) shall be charged. Interim cards shall be issued to individuals or firms who have complied with the provisions of this act within the year. From the fees provided by this act shall be paid the expenses incident to each examination, including stationery, clerk hire, traveling, and other expenses of the board, including compensation of the board.

Sec. 7. The board shall, in January of each year, prepare a printed register which shall contain an alphabetical list of the names, certificate numbers, business connections, and addresses of all certified public accountants to whom such registration cards have been issued for that year, and an alphabetical list of the names of the firms of certified public accountants to whom such registration cards have been issued for that year, together with an alphabetical list of the names, permit numbers, business connections and addresses of all other persons who may practise as public accountants under the provisions of this act, and to whom such permit cards have been issued for that year, and an alphabetical list of the firms and corporations practising public accounting to whom such permit cards have been issued for that year. A register shall be mailed to every person listed therein, and to such others as the board, in its discretion, may determine is for the public welfare. This register shall contain at the beginning the following statement: "Any person receiving this list is requested to send the secretary of the Georgia state board of accountancy the name and address of any person, firm, or corporation known to be practising as a public accountant whose name does not appear in this register. The names of persons giving such information will not be divulged." Failure to secure a registration card or a



permit card for any year shall not disqualify the holder of a certificate or permit from securing a card for a future year, if the holder decides to return to the practice of public accounting. When registration cards or permit cards are secured after the annual register is issued, such individuals shall not be subject to the penalty prescribed in section 24 or section 25, provided the cards were secured prior to charges having been preferred against them that they were practising unlawfully.

Sec. 8. A person, either individually or as a member of a firm or corporation, shall be deemed to be in practice as a public accountant within the meaning and intent of this Act:

(a) Who holds himself or herself out to the public in any manner as one who is skilled in the affairs of commerce and finance, particularly in the knowledge, science, and practice of accounting as relating thereto, and as qualified to render professional service as a public accountant for compensation; or

(b) Who maintains an office for the transaction of business as a public accountant, or who, except as an employee of a public accountant, practises accounting as distinguished from bookkeeping for more than one employer; or

(c) Who offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit or verification of financial transactions and accounting records; or

(d) Who prepares or certifies for clients reports of audit, balance sheets, and other financial accounting and related schedules, exhibits, statements, or reports, which are to be used for publication or for credit purposes, or are to be filed with a court of law or with any other governmental agency; or for any other purpose; or

(e) Who, in general, or as an incident to such work, renders professional assistance to clients for compensation in any or all matters relating to accounting procedure and the recording, presentation and certification of financial facts.

Sec. 9. No person may legally practise in this state as a certified public accountant or as a public accountant, either in his or her own name, under an assumed name, as a member of a firm, as an officer of a corporation, or as an employee, except as provided in section 26, unless he or she shall have been granted a certificate or permit by the board, and secured a registration card or a permit for the current year.

Sec. 10. Any person who has received from the governor upon recommendation of the board, a certificate of his qualifications to practise as a certified public accountant as hereinafter provided, shall be styled and known as a "certified public accountant," and no other person shall assume to use such title or the abbreviation "C. P. A.," or any other word, words, letters or figures to indicate that the person using the same is a certified public accountant. The terms "chartered accountant" and "certified accountant," and the abbreviation, "C. A.," are specifically prohibited as being prima facie misleading to the public. Any person who has received from the board a permit, as hereinafter provided, shall be styled and known as a "public accountant," and no person other than a certified public accountant shall assume to use such designation to indicate that such person is entitled to practise as a public accountant.

Sec. 11. All persons practising individually or under an assumed name, all firms, and all corporations engaged in public accounting in the state of Georgia, at the date of the passage of this act, and intending to continue to so practice, must register with the board before January 1, 1926, giving the names and addresses of every person practising as principal or under such assumed name, the names and addresses of every member of the firm and the names and addresses of every officer of the corporation. Persons who register in accordance with this section shall at the time of registering give the names and addresses of all persons in their employ in the state at that date who hold C. P. A. certificates. No charge shall be made for this registration.

Sec. 12. Any firm, every member and resident manager of which is a certified public accountant, after registering the firm name with the board, may use the designation, "certified public accountants," in connection with the firm name. When firms so registered secure annual registration cards, the name of the firm shall be listed in the annual register, together with the names of the members and managers thereof, resident in the state, with the designation, "C. P. A.," after each name, and the names of non-resident members who hold certificates issued by the board may also be listed. All other firms may use the designation, "public accountants," in connection with the firm name. When firms so registered secure annual registration cards or permit cards, the name of the firm shall be listed in the annual register, together with the names of the members and managers thereof, resident in the state, every certified public accountant being indicated by the initials "C. P. A.," and the names of non-resident members who hold certificates or permits issued by the board may also be listed. An assumed name in use prior to the passage of this act, may be used the same as a firm name, provided the individual persons practising as principal under that name hold certificates or permits issued by the board, and provided such persons have complied with the laws of the state governing assumed names.

Sec. 13. Any corporation organized under the laws of this state, which was, under the authority of its article of incorporation, and in accordance with the laws of the state, practising public accounting as described in section 8, in the state at the date of the passage of this act, may apply for a permit to practise public accounting, and the board shall issue one in accordance with the provisions of this act. Such corporations may use the designation, "public accountants" in connection with the corporate name.

When corporations so registered secure annual permit cards, the names of the corporations shall be listed in the annual register, together with the names of the president, secretary, and manager of its public accounting department, every certified public accountant being indicated by the initials, "C. P. A."

Sec. 14. Before the board issues a certificate or permit to any person under this act, such person shall file with the board the following oath or affirmation, which shall be taken before an officer authorized to administer oaths:

"I do solemnly swear (or affirm) that I will support the constitution of the United States and the constitution of this state, and that I will faithfully perform and discharge the duties of a certified public accountant (or public accountant)

to the best of my ability, and in accordance with the law."

Sec. 15. Applicants for a certificate as a certified public accountant, or for a permit as a public accountant, must be citizens of the United States, or persons who have declared their intention of becoming such, who reside within the state, or who have an office for the regular transaction of business therein, who are over the age of twenty-one (21) years and of good moral character. Applicants who have declared their intention of becoming citizens and who pass the examination shall be granted a permit, subject to the annual registration, for a period of six (6) years from the date of such declaration of intention. When evidence is furnished the board that citizenship is completed, the permit shall be cancelled by the board and a certificate as a certified public accountant issued therefor. If evidence is not furnished that citizenship is completed, the permit shall be revoked and cancelled. The board shall have power to extend the permit if a sufficient cause for delay is shown.

Sec. 16. Applicants for a certificate as a certified public accountant must have completed a four (4) year high-school course of study, or have received an equivalent education prior to date of application. The applicant shall submit to the board prior to examination, a statement from the state school superintendent that the applicant has satisfied this requirement as to education. The state school superintendent shall review the evidence offered by each applicant as to his education, and determine whether he has completed the four (4) year high-school course of study or its equivalent, in his opinion.

Applicants must have had at least three (3) years' continuous experience in practical accounting immediately preceding the date of application, the efficiency of the experience to be judged by the board. The board may accept evidence of sufficient technical education in accountancy in lieu of one year of practical accounting experience, and the requirement as to continuous experience immediately preceding the date of application may be waived if the applicant has had six (6) years of experience in practical accounting, the last year of which immediately preceded the application.

Sec. 17. The board shall issue a certificate as a certified public accountant to each applicant who passed a satisfactory examination in theory of accounts, practical accounting, auditing, commercial law, economics and finance, provided the applicant has complied with the requirements of this act and the rules of this board.

Sec. 18. Whenever the holder of a certificate of examination issued by the board under the provisions of section 22 has had at least one (1) year's continuous experience in practical accounting, the efficiency of which shall be judged by the board, and, if a satisfactory examination is passed in practical accounting and auditing, the board shall issue the applicant a certificate as a certified public accountant, provided the applicant has complied with the requirements of this act and the rules of the board.

Sec. 19. The board may, in its discretion, issue a certificate as a certified public accountant to any applicant who holds a valid and unrevoked certificate as a certified public accountant issued by or under the authority of another state or political subdivision of the United States. Such accountants shall com-

ply with the other requirements of this act before practising in Georgia. A properly certified public accountant coming from a foreign country may be recognized and allowed to practise in Georgia, by complying with the other requirements of this act.

Sec. 20. The board shall issue a permit to practise as a public accountant to each applicant before January 1, 1926, who furnishes satisfactory evidence that he or she was maintaining an office in the state for the practice of public accounting on his or her own account at the date of the passage of this act, and has been in practice during the regular business hours of each day, as a public accountant in the state since that date, or, that he or she has been in responsible charge of accounting engagements as an employed member of the staff of a certified public accountant, or of a public accountant, or of a firm of public accountants, or of a corporation practising public accounting in the state, for a period of at least three (3) years prior to the passage of this act.

Sec. 21. The board shall require the same information from each applicant for a permit as it requires from an applicant for a certificate as a certified public accountant. Applicants for permits shall comply with the requirements of this act and the rules of the board, in so far as they are applicable. No permit shall be granted after January 1, 1926, except as provided in section 15 to persons who have passed an examination as a certified public accountant, and who have not yet secured their full citizenship papers. Permits confer the legal right to practise as a public accountant but do not confer any title or designation.

Sec. 22. The board shall issue a certificate of examination to each applicant who successfully passes the prescribed examination in theory of accounts, commercial law, auditing, economics and finance, provided the applicant is a citizen of the United States, twenty-one (21) years of age, a resident of the state, of good moral character, a graduate of a high school with a four (4) year course of study, or has received an equivalent education, and is either a graduate from a four (4) year college or university course in business administration of a standard grade, or its equivalent, or has had four (4) years of practical accounting experience of a character needed to qualify one to act as an internal auditor, the state school superintendent to judge as to the educational qualifications, and the board to judge as to experience qualifications. Certificates of examination shall not confer any title or designation, but permit the holder to take the examination provided in section 18 for a certificate as a certified public accountant when he or she has had at least one year of continuous experience in practical accounting, the efficiency of which shall be judged by the board.

Sec. 23. Except by written permission of the client or person, or firm, or corporation employing him, or the heirs, successors or personal representatives of such employer, a certified public accountant, or a public accountant, or a person employed by a certified public accountant or by a public accountant, shall not be required to, and shall not voluntarily disclose or divulge information of which he or she may have become possessed relative to and in connection with any examination of, audit of, or report on, any books, records or accounts which he or she may be employed to make. The information derived from or as the result of such professional

## *Bulletin of American Institute of Accountants*

service shall be deemed confidential and privileged; provided, however, that nothing in this paragraph shall be taken or construed as modifying, changing or affecting the criminal or bankruptcy laws of this state or of the United States.

### Sec. 24. Any person:

(a) Who shall use any other term than certified public accountant, or the abbreviation, "C. P. A.," to indicate that he or she is a public accountant with a specially granted title; or

(b) Who shall, when practising under an assumed name, or as a member of a firm, or as an officer of a corporation, announce, either in writing or by printing, that the assumed name, firm or corporation, is practising as a certified public accountant; or

(c) Who shall, as a member of a firm announce either in writing or by printing, that the firm is practising as "certified public accountants" unless all members of the firm and the resident manager are holders of state-granted C. P. A. certificates, and the firm is registered with the board; or

(d) Who shall, as a member of a firm announce either in writing or by printing, that the firm is practising as "public accountants," unless all members and managers of the firm resident in the state, are holders of certificates or permits granted by the board, and the firm is registered with the board; or

(e) Who shall, as an officer of a corporation, permit it to practise as a public accountant unless it is registered with the board, and has received a permit from the board; or

(f) Who holds himself or herself out to the public as a certified public accountant or who assumes to practise as a certified public accountant unless he or she received a certificate as such from the board; or

(g) Who holds himself or herself out to the public as a public accountant, or who assumes to practise as a public accountant unless he or she has received a permit from the board; or

(h) Who shall practise as a certified public accountant or as a public accountant after his or her certificate or permit has been revoked; or

(i) Who shall practise as an individual, or as a member of firm or as an officer of a corporation, practise or permit the firm or corporation to practise as a certified public accountant or as a public accountant unless a registration card or permit card has been secured for the current year; or

(j) Who shall sell, buy, give, or obtain an alleged certificate as a certified public accountant, or a permit as a public accountant, or a registration card or a permit card in any other manner than is provided for by this act; or

(k) Who shall attempt to practise as a certified public accountant or as a public accountant under guise of a certificate or permit not issued by this board, or under cover of a certificate or permit obtained illegally or fraudulently; or

(l) Who shall certify to any false or fraudulent report, certificate, exhibit, schedule or statement; or

(m) Who shall attempt by any subterfuge to evade the provisions of this act while practising as a public accountant; or

(n) Who shall, as an individual, or as a member of a firm, or as an officer of a corporation, permit to be announced by printed or written statement, that any report, certificate, exhibit, schedule or statement had been prepared or authenticated by a certified public accountant or by a public accountant, when the person who prepared or authenticated the same

was not such certified public accountant or public accountant, shall be punished as a misdemeanor.

Sec. 25. Any certificate or permit or registration card or permit card issued by the board under this act or act No. 471, may be revoked and cancelled or suspended for a definite period, or the holder thereof may be officially censured by the board after a hearing for reasons indicated in section 24, or on conviction of a felony, or for any other sufficient cause, or it may direct that action at court be brought, or it may both revoke, suspend, or censure, and institute action at court; provided, that written notice shall have been mailed to the holder of such certificate or permit at his last known address, at least thirty (30) days before any hearing thereon, stating the charge which has been preferred and appointing a time for a hearing by the board. At all such hearings the attorney general of the state, or an assistant designated by him, shall be present and represent the interests of the public. The certificate or permit holder shall have the right to be represented by counsel.

Sec. 26. Nothing contained in this act shall apply to holders of state granted C. P. A. certificates from other states or public accountants from other states who may be temporarily in this state on professional business incident to their regular practice in the states of their domicile, but with neither residence nor office in this state. Nothing contained in this act shall prevent the employment by a certified public accountant or by a public accountant, or by a firm or corporation furnishing public accounting services as principal, of non-registered persons to serve as accountants in various capacities as needed; provided, that such non-registered persons work under the control or supervision of certified public accountants or accountants with permits; and provided further, that they do not issue any statements or reports over their own names, except such office reports as are customary; and provided further, that such non-registered persons are not in any manner held out to the public as public accountants as described in section 8.

Nothing contained in this act shall imply that a practising attorney, who in connection with his professional work, prepares reports or presents records of a form or character usually prepared and presented by accountants, has become a public accountant within the meaning of this act as described in section 8.

Sec. 27. The provisions of this act shall not invalidate any certificates granted under former acts in Georgia.

Sec. 28. All laws and parts of laws in conflict herewith are hereby repealed.

## **Illinois**

The July *Bulletin* of the Institute contained portions of three bills enacted by the legislature of Illinois and numbered 615, 616 and 617. Since that time, the governor of Illinois has permitted these bills to become law without his signature. The final draft of the law, however, differs in two instances from the copy published in the July *Bulletin*. House bill No. 617,

section 6 reads finally as follows (new amendment in italics):

Sec. 6. The examinations shall be on the subjects of theory of accounts, practical accounting, auditing and commercial law as affecting accountancy. The examinations may be either written or oral, or partly written and partly oral. The questions propounded shall be a reasonable and fair test of the candidates' qualifications to practise and shall be reasonably susceptible of answer or solution in the time allowed. The questions on accounting shall be based upon general accounting principles and shall not require a special knowledge on the part of the candidates of any particular kind of business. Each subject shall be marked separately, and every candidate shall be required to obtain a grading of seventy-five (75) per cent or over on each subject upon which he is examined. *Each candidate who passes said examination shall thereupon receive a certificate of his qualifications to practise as a public*

*accountant from the department, which certificate shall state that said candidate has successfully passed the examination in order to be qualified and known as a "public accountant" and shall authorize the said successful candidate to so style himself and to be known as such.* A candidate who has passed in one or more subjects shall be re-examined only on such subject or subjects as he shall have failed in. All examination papers shall be preserved for a period of at least one year after each candidate has been notified as to his gradings, and any candidate shall, upon written request to the department, have access to his papers and observe his grades.

In house bill No. 617, section 10, concerning revocation of certificates, the following words have been deleted:

— or (d) shall be held by the department to be guilty of an act or default discreditable to the profession of public accountancy.

## SPEECH REVIEWS

### ANDREW H. BLASS—"OUT-OF-POCKET COSTS"

Address before Sheet Metal Contractors Association of Pittsburgh, reprinted in the *Pittsburgh Accountant*, June 1, 1925.

Out-of-pocket costs may be described technically as well as in the ordinary layman's language. The technical meaning of out-of-pocket costs concerns itself with the actual outlay, in cash or in the increasing of obligations, that is necessary in order to render a service or complete a given piece of work. This means that such items of business expense as office supplies, depreciation and so forth are not considered, nor is the element of profit. The ordinary meaning of the term out-of-pocket costs includes operations which are not recoverable through charges to customers for whom services have been rendered. This may be due either to failure on the part of a business organization to take cognizance of these elements of cost, or to an intentional omission in order to cut prices and secure business. A knowledge of the fundamental financial facts of a business will tend to limit out-of-pocket costs. The speaker made several suggestions for eliminating unprofitable jobs and improving general trade conditions. His advice includes the keeping of records showing operations and operating costs from which results may be tabulated periodically.

### RICHARD FITZGERALD—"THE ACCOUNTANT'S MORAL, LEGAL AND FINANCIAL RESPONSIBILITY"

Article published in the *L. R. B. & M. Journal*, May, 1925.

The writer contrasts moral law with civil law and makes the point that civil law invariably is based on moral law, but usually falls far short of it; in other words, moral responsibility is much higher in degree

than legal responsibility. The individual has the right to accept the civil law as his highest and only code of conduct, but the writer points out that it is a healthy indication of man's progress that those who give only what they must and take all that they may are barely tolerated. Society is ahead of the rules which it has written in the books and expects more from its members than mere compliance with the civil law. The writer believes that accountancy is an off-shoot of the legal profession and has the same function as the legal profession: to aid in regulating relations between man and man. The accountant has both a particular and general duty to perform, the former to his client and the latter to society. In a profession, a man secures his compensation, first, through a full measure of satisfaction in performing skillfully and honestly the work that he loves. His first feeling must be the interest of his client; his personal interests and advantage must take a subordinate position; money compensation is merely incidental. Professions grew up through the desire of society to obtain a highly specialized and skillful service. Accountants as professional practitioners should not attempt to secure legislation ahead of public opinion. The public has sought the accountant for advice and assistance in a much wider field than formerly, forcing him on to the fringes of engineering, banking and finance, and compelling him to rescue from forgotten shelves of university libraries dusty works on economics. The writer expresses the belief that the education of accountants is not keeping pace with their widening duties and opportunities for service. He believes that some accountants are taking on duties that they are not qualified to perform and that their failures are resulting, in many instances, to the disadvantage of their clients and the discredit of the profession. He believes that courses for the training of accountants must be widened and made more comprehensive and that the standard of preliminary education should be raised. He expresses the belief that the technical part of the education should be liberalized and more

closely supervised by the profession. He believes the older and more successful members of the profession are not doing their duty in the matter of training their successors. He thinks that the accountant has played his part well in a new profession, but that the profession has reached a crisis because service is being demanded from the accountant that is foreign to his experience and training. Business is seeking advice and assistance along new lines. The great aggregations of capital constituting American enterprises are now settling down to an operating basis and are seeking intensive and highly scientific management. People are seeking advice in regard to the complex and involved tax laws. The profession is faced with the acceptance of three courses of action: 1, to seek a broad and liberal training that will qualify accountants to render the service that is being sought; 2, frankly to admit that accountants are unable to meet the emergency and allow this work to pass to some other profession; 3, if accountants do not adopt one or other of these courses but attempt to handle matters outside their experience and training, they may degenerate into the rank of charlatans and eventually disappear as a profession. The author quotes court decisions to illustrate the legal responsibility assumed by accountants in taking engagements.

**G. M. HOFFORD—"THE INVOLUNTARY LOAN"**

Address delivered at the regional meeting of the American Institute of Accountants, Dallas, Texas, May 8, 1925.

The speaker said that the genesis of most involuntary loans (his definition of embezzlements) is a secret borrowing of the firm's money by a trusted employee. A small sum is usually the first appropriation, and it is almost always the intention of the thief to return the money. In many cases the crime may be covered up by one who is familiar with the books of the concern, and this easy concealment is a temptation to further indulgence. Each theft is larger than the last and more frequent until discovery is inevitable.

Mr. Hofford gave several illustrations of ingenious devices used by bookkeepers and cashiers to defraud their employers. In every case, however, the criminal was eventually discovered and paid the penalty of his guilt. Mr. Hofford said that a great deal of the blame was chargeable to the employer. The bookkeeper-cashier often has almost complete jurisdiction over the books and where the employer does not have a regular and accurate audit of his accounts, figures may be juggled by the bookkeeper with appalling ease. Many criminals have stated that if the accounts had been periodically audited they would never have attempted a theft.

**W. SAREL LYNNE—"PROVISIONS REGARDING INCOME TAXES OF INTEREST TO GAS MEN"**

Article published in *Natural Gas*, May, 1925.

The application of that part of the federal income-tax laws which refers to amortization and to the tax

problems of gas companies is a question on which no ruling has as yet been made by the treasury department, although several claims have been filed. The section of the law which is of special interest to gas men is the provision that the taxpayer is permitted to deduct from his income the excess cost of such capital outlay made during the war period for production as set forth in the act as is due to war conditions. This has the effect of reducing the capital investment to a normal post-war cost, and applying the excess to the reduction of taxable income arising from war-time business. The taxpayer, it is pointed out by the author, has generally understood that this statute applied only to businesses which had contracts with the government for articles contributing directly to the prosecution of the war, whereas the statute refers only to the production of the articles and does not expressly state by whom such articles are to be used. The owners of coal mines have availed themselves of the deduction allowed under amortization, but the producers of oil and natural gas have failed to interpret this section as equally applicable to them.

**J. T. MADDEN—"EDUCATION AS A FORCE IN BUSINESS"**

Address delivered before the school of commerce, accounts and finance, of New York University, June 10, 1925.

The speaker referred to the opinion of Joseph French Johnson, former dean of the school, that culture was not to be acquired by a short-cut process in the classroom. Education to him was a life-long development of moral and spiritual values. The problem is to select the plan best adapted to a specific individual in a certain environment. The speaker illustrated by comparing the cloistered life of a university with the system which requires a young man to earn his livelihood and gain his education at the same time. The danger of the first is in the readjustment from a scholarly leisurely life to a workaday world. The danger of the second is materialism and the loss of a refined perception. Education to earn a livelihood, he continued, must not exclude preparation for life itself. The moral as well as the intellectual existence must be nourished. Business today in its infinite specialization must not lose its ethical standards. The schools of commerce are of assistance in training young men in ethical principles. The speaker emphasized the great importance of selecting the work for which one is best fitted. He stated that business today is a science and a knowledge of its laws is essential to industrial success. He spoke of the rapidly growing specialization in industry, of the improvement in efficient production and the resulting increase in leisure time enjoyed by workers. He advised employing that leisure in intelligent recreation to offset the monotonous and unstimulating occupations which often occupy the working hours. The speaker closed his address with an exhortation to his audience to cultivate a philosophy of life, as well as a philosophy of business, including practical wisdom, calmness of temper and a desire for fair play, and he hailed education as the sponsor of a new philosophy of business.

**E. ELMER STAUB—"GERMAN FINANCE AND INDUSTRY: CONDITIONS THAT AMERICAN MANUFACTURERS SHOULD KNOW"**

Article printed in *Management and Administration*, April, 1925.

Mr. Staub points to the tremendous improvement which has taken place during the past year in the German financial and industrial situation, and says that changes of magnitude must yet take place in order that Germany may compete effectively in the world markets. Stabilization of German currency in November, 1923, is indicated as one of the land-marks. Confidence in the stabilized currency has even brought about a renewal of the saving habit, as 1924 showed a satisfactory increase in savings-bank deposits. Interest rates are high, but improvement is expected. Reference is made to the large industrial loans placed in America and the financing of German industries by the formation of syndicates and by short-term credits. A number of Germany's richest and largest corporations have

recently secured funds through the sale of bonds and notes in America. There is every indication, according to the author, that there may be a flood of provincial and municipal German loans made abroad, although a national commission which must approve such loans may be a check on such financing. German industry is heavily taxed, but it is in as favorable condition as before the war. Investments in plant and equipment have not shrunk. Working capital is the principal need today. The most burdensome direct taxes are the turnover taxes (2½ per cent. prior to 1925 and now 1½ per cent.), the property tax, the tax on wages, the tax on capital movement, and the tax on anticipated income. The last named is based on sales volume. State and municipal taxes are imposed in addition. German industry is working at its utmost capacity, but the larger portion of the production is used for home consumption. Production equipment must be modernized and consolidations may be looked for. It will be five years, according to the author, before German production costs can be reduced so as to compete in America with local manufacturers.

**HERE AND THERE**

Parry J. Barnes and Thomas W. Burman announce their association under the firm name of Parry Barnes & Co., with offices at 1003 Pioneer Trust building, Kansas City, Missouri.

John J. Barry & Co. announce the removal of their offices to the Waterman building, 44 School street, Boston.

The Baskerville Audit Co. announces the removal of offices to 841 Petroleum Securities building, 714 West Tenth street, Los Angeles, California.

Harry A. Bernbach announces the removal of his office to the Columbia Trust building, 358 Fifth avenue, New York.

J. L. Block & Co. announce the formation of partnership with offices in Humble building, Houston, Texas.

Raymond C. Brown & Co. announce the removal of their offices to the Canadian Pacific building, 342 Madison avenue, New York.

George S. Clark announces the removal of his office to 610 Mahoning Bank building, Youngstown, Ohio.

Campbell C. Denman announces the opening of offices at 604-5 First National Bank building, Vicksburg, Mississippi.

Thomas B. Donnelly and Patrick J. Moynihan announce the formation of a partnership for the general practice of accounting under the firm name of Donnelly, Moynihan & Co., with offices at suite 942, Park Square building, Boston.

Bernard Glassberg announces the removal of his office to 358 Fifth avenue, New York.

Alfred Henry and Raymond Haas announce formation of co-partnership under the firm name of Henry & Haas, with offices at 1440 Broadway, at 40th street, New York.

Harry C. Izard announces a change of address to 2027 Railway Exchange building, 612 Locust Street, St. Louis, Missouri.

It is announced that the firm of Lowson & Dawson has been dissolved. John W. Dawson has withdrawn from practice to accept an official position with a corporation. Practice will be continued by Frank Lowson & Co., with offices at 815 15th street, N. W., Washington, D. C.

Thomas A. MacKenzie announces the opening of offices at 14 Wall street, New York.

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Francis R. Roberts & Co. announce the removal of their offices to Room 2004, Straus building, Michigan avenue and Jackson street, Chicago.

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Touche, Niven & Co., 80 Maiden lane, New York, announce the opening of an office for the practice of public accounting at Hurt building, Atlanta, Ga., under the direction, as resident manager, of E. W. Gottenstrater, C. P. A. (Mo.), who has been associated with Touche, Niven & Co. for several years in St. Louis.

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The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

Gordon S. Battelle, Dayton, Ohio, has been elected a director of the Dayton, Ohio, chamber of commerce, for a two-year term.

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H. Leo Dalton, Toledo, Ohio, addressed the Toledo Credit Men's Association of July 2nd on "financial statement analysis."

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Harold Dudley Greeley of New York addressed the National Association of Cost Accountants at Philadelphia in May on the subject "Use of charts by a management in determining its policies."

John J. Harrington, Waltham, Massachusetts, managed the American Legion endowment fund campaign of that city, in which there was an oversubscription of the quota by 11 per cent.

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T. Percy Hill, New York, delivered a speech on direct charges to departments for delivery costs, in reference to department stores, before the Associated Dry Goods Corporation of New York on June 15th.

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W. P. Peter, Dallas, Texas, is the author of a series of articles appearing in the *Dallas News*. In the issue of June 21st Mr. Peter discussed credit frauds and the part that accountants may play in reducing losses chargeable to such frauds. In the issue of July 28th appeared an article descriptive of the place occupied in the business world by the accountant and of his relation to the credit man. The beginnings of the American Institute of Accountants and of the National Association of Credit Men are described. The newspaper is featuring the articles.

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George Rea, New York, attended and participated in the discussion at the meeting of committee IV on the cost of distribution, of the national distribution conference of the chamber of commerce of the United States, June 2nd.

### **Publisher's Note**

The September issue of the *Bulletin* will not appear until the 25th of the month. Retarded publication will make it possible to include in the *Bulletin* a brief report of the annual meeting of the Institute.

# BULLETIN

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SEPTEMBER 15, 1925

SERIES B, No. 17

## AMERICAN INSTITUTE OF ACCOUNTANTS

### Annual Meeting, 1925

The annual meeting of the American Institute of Accountants was held at the Washington hotel, Washington, D. C., September 15th and 16th. Council meetings were held September 14th and 17th. Full report of the proceedings will appear in the year book, but the following brief summary is presented in advance for information.

At the council meeting of Monday, September 14th, reports of officers and committees were received.

A supplementary report of the committee on constitution and by-laws suggesting a codification was received and will be distributed to the entire membership for consideration to the end that if it seems desirable, action may be taken upon a codified set of by-laws at the annual meeting of 1926.

The report of the committee on publication will be printed in pamphlet form and distributed to members prior to the publication of the year book. This action is ordered by the council in view of the importance of the report.

On the afternoon of Monday, September 14th, there was a meeting of the members of the board of examiners of the Institute with members of state boards of accountancy at which there was general discussion of the plan of coöperation offered by the Institute, and also of other matters relative to the question of examinations.

The opening session of the meeting of the Institute on Tuesday, September 15th, was called to order at 10 A. M. The Reverend James Shera Montgomery, chaplain of the house of representatives, delivered the invocation.

The retiring president, John B. Niven, read his annual report, which will appear in *The Journal of Accountancy* for October, 1925. Following the reading of the president's report Edward E. Gore, Illinois, offered a resolution relative to the death of Edward L. Suffern, a former president of the American Association of Public Accountants, the predecessor of the American Institute.

Among the matters referred by the council to the open meeting was the report of the committee on constitution and by-laws suggesting certain amendments. The amendments recommended by the committee were adopted. Another amendment reported by the committee without recommendation and designed to restrict membership of the Institute to certified public accountants was rejected with only two dissenting votes.

The following resolution was then offered by Edward E. Gore, Illinois, and adopted:

*Resolved*, That the American Institute of Accountants, convened in its tenth annual meeting, reaffirms its belief in the necessity for a strong national organization of the members of the accounting profession, based upon the professional and moral fitness of the individual and immune from the whims and caprices of legislators who are careless alike of the welfare of the profession and the proper



# Bulletin Supplement

September 20, 1925.

## To Members and Associates of the American Institute of Accountants:

The board of examiners recommended to the council at its meeting of September 14, 1925, the advancement of 4 associates to membership, the election of 2 applicants who had passed oral examinations, 3 who were eligible under the credit-for-other-examination clauses, 14 who were eligible without further examination, having already taken the Institute examinations for the C. P. A. certificate.

The council approved the recommendations of the board.

The following is a list of those recommended for election:

### *For advancement to membership:*

Henry Sealy Chapin, New York  
Elmer C. Martin, Missouri  
George Harvey Porter, Jr., Maryland  
P. Miles Taylor, New York

### *For admission as members:*

Charles Sweetser Concklin, Illinois  
Oscar E. Fischer, Illinois  
Charles L. Hardman, Ohio  
Harry Hull Lenhart, Ohio  
Thomas Miller McIntyre, Tennessee  
Louis Meyer, New York  
John Wesley Reed, Oklahoma  
Russell I. Rose, Michigan  
Samuel Earl Shook, Connecticut  
Frederic D. Utley, Illinois  
Henry William Welsch, Illinois

### *For admission as associates:*

Alexander Richardson Grant, Illinois  
Claude Williams House, Missouri  
Clarence Harvey Hurst, Tennessee  
Joseph M. Kane, Illinois  
John E. Keough, Indiana  
Perry Raymond Foster Marshall, California  
Harry William Moore, California  
Ben Stanton Naven, Illinois

If no protest is received by October 10, 1925, against the election of any of the applicants in the foregoing list, they will be declared elected by the president.

A. P. RICHARDSON, *Secretary.*

protection of the business interests of their constituents, and be it further

*Resolved*, That the American Institute of Accountants will in the future as in the past do all that lies within its power to protect the interests of all who are engaged in the legitimate practice of the profession, especially when such interests are threatened by adverse legislation, and will particularly endeavor to aid in the preservation and improvement of the laws of the several states which provide for the creation of certified public accountants under regulations that guarantee the professional fitness of the holders of the certificates issued.

The meeting then considered the selection of a place for the next annual meeting, and after several invitations had been received it was resolved that the choice of a place of meeting be left to the executive committee with power.

At the opening session in the afternoon George O. May read a paper entitled, *Taxable Income and Accounting Bases for Determining It*. Discussion was opened by Arthur A. Ballantine. Mr. May's paper will appear in *The Journal of Accountancy* for October.

At the meeting of Wednesday, September 16th, the first business was the election of officers and members of council. The following were elected:

President:

William H. West, New York

Vice-Presidents:

John F. Forbes, California

Frederick A. Ross, New York

Treasurer:

Arthur W. Teele, New York

Members of council for five years:

Arthur H. Carter, New York

Henry C. Magee, Pennsylvania

John B. Niven, New Jersey

Waldron H. Rand, Massachusetts

Ernest Reckitt, Illinois

Ernest A. Roden, Ohio

C. R. Whitworth, Illinois

Member of council for four years:

Stanley G. H. Fitch, Massachusetts

Auditors:

R. J. Bennett, Pennsylvania

William P. Bickett, New York

The following committee on nominations was elected:

By the council:

Charles G. Harris

David L. Grey

By the Institute:

A. M. Pullen

Hazen P. Philbrick

J. M. McConahey

E. W. Lovejoy

Emil Kroeger

The report of the committee on public affairs, referred by the council for the consideration of the Institute, was read by C. Oliver Wellington. The work of the committee was unanimously approved and it was resolved that a special committee be appointed to devise ways and means for providing the necessary funds for the continuance of the work.

At 12:30 P. M. on Wednesday, September 16th the President of the United States received members of the Institute at the White House.

At the afternoon session a paper, dealing with the law of evidence, was read by J. Harry Covington, general counsel of the Institute. By resolution of the council on the following day it was ordered that special attention of the members and associates of the Institute should be directed in the *Bulletin* to Judge Covington's address which is to appear in *The Journal of Accountancy* for October. The council expressed the opinion that every member should read this address and give consideration to the emphasis which was laid upon the professional status of membership in the Institute.

The following resolution was offered by Charles Hecht, New York, and was unanimously adopted:

*Whereas*, Joseph Edmund Sterrett, a distinguished accountant, member of the American Institute of Accountants, has been honored by appointment as a United States representative on the Dawes Transfer Commission, and

*Whereas*, the services which he is rendering in the international settlement of post-war adjustments is a work of outstanding character and importance, and

*Whereas*, the selection of a member of the accounting profession and of the American Institute of Accountants for such service is a distinguished honor, therefore be it

*Resolved*, That the American Institute of Accountants in annual convention assembled wishes to express by this resolution its appreciation of the honor indirectly conferred upon it through such appointment and that a copy of these resolutions be forwarded to Mr. Sterrett.

At 4:30 P. M. the meeting adjourned sine die.

The annual banquet took place in the evening under the chairmanship of Judge Covington. The speakers were retiring president, John B. Niven, the incoming president, William H. West, J. Arthur LaRue, representing the Dominion Association of Chartered Accountants, and Edward E. Gore.

At the council meeting of September 17th A. P. Richardson was elected secretary for the ensuing year and the following committees were elected:

**Executive:**

Arthur H. Carter  
W. Sanders Davies  
F. H. Hurdman  
J. E. Masters  
John B. Niven

**Professional ethics:**

Ernest Reckitt, chairman  
Stanley G. H. Fitch  
John F. Forbes  
James S. Matteson  
Carl H. Nau

**Board of examiners for three years:**

Harold B. Atkins  
William B. Campbell  
A. S. Fedde

At the annual meeting of the American Institute of Accountants Foundation the following officers were elected:

William H. West, president  
John F. Forbes, vice-president  
Arthur W. Teele, treasurer  
A. P. Richardson, secretary

The following members of the board of trustees were elected:

Arthur H. Carter  
Carl H. Nau  
Waldron H. Rand  
J. E. Sterrett

### **Board of Examiners**

The fall examinations of the American Institute of Accountants will be held November 12th and 13th. All applications for these examinations should be submitted by October 1st.

A list of applicants approved at the annual meeting of the council of the Institute accompanies this *Bulletin*. Protests against the election of any of these applicants should reach the office of the Institute by October 10th to be considered by the president.

### **C. P. A.'s Oppose Legislation**

The Illinois Society of Certified Public Accountants has announced itself as opposed to the new accountancy law of the state, passed in August, 1925. The accountants of Illinois instigated legal procedure to test the validity and constitutionality of the recent legislation. Circuit

judge E. S. Smith sustained the action of the legislators, but the refusal of this court to declare the law unconstitutional is not a necessary implication that this court believes it constitutional. It is customary in Illinois, in cases directed against the validity of existing laws, (except where individual liberty is endangered), for the lower court to affirm the existing legal status, leaving it to the supreme court, upon appeal, finally to decide the constitutionality, or the reverse, of the law in question. With this in mind, the Illinois accountants have appealed from the decision of the lower court, and expect their problem to be settled by the supreme court in December session.

The new law has taken the control of accounting examinations from the hands of the university and contains a new provision conferring a title of "public accountant" upon all who, in the future, pass the state examinations. The inference is that the degree of "certified public accountant" will gradually become extinct, and that, meanwhile, there will be two recognized legal accounting titles, meaning—except chronologically—the same thing.

### **Meeting of Dominion Association**

The Dominion Association of Chartered Accountants held a meeting at Banff, Alberta, September 1, 2 and 3, 1925, at which the American Institute of Accountants was represented by John R. Ruckstell and Charles R. Whitworth. At the business meeting of the association, an address was made by the Hon. Herbert Greenfield, premier of Alberta. At the banquet speeches were delivered by George Edwards, Toronto, and John R. Ruckstell who replied to the toast, "kindred societies." Mr. Ruckstell emphasized the desirability of a joint meeting of the Dominion Association and the American Institute of Accountants. Representatives of the association expressed pleasure at the intimate relations which exist between the two accounting societies and a hope for even closer coöperation in the future. The meeting was well attended.

## Georgia

The Georgia bill which was published in the *Bulletin* for August, was passed in the senate, but failed to pass in the house of representatives.

The legislature of Georgia adjourned sine die August 23, 1925.

## Mexican Organization of Accountants

A national organization of professional accountants has recently been established in Mexico. The society is known as the Institute of Titled Public Accountants of Mexico, and has adopted a constitution and regulations similar to those of kindred organizations in other countries. The code of professional ethics of the Mexican Institute reads as follows:

The Institute of Titled Public Accountants of Mexico, in deference to transitory article 3 of its statutes, issues the following code (or rules) of professional ethics:

Article 1. The fundamental principles to which all the members of the Institute of Titled Public Accountants of Mexico shall be subject in the practice of their profession are integrity, efficiency, and strict fulfillment of their duties both to the Institute and to their fellow-practitioners.

Art. 2. Those guilty of any of the following transgressions shall be expelled from the Institute, or suspended from the privileges thereof, and shall also forfeit the right to possess the title of public accountant which is conferred upon them as members of the same:

(a) To be declared guilty by a judicial verdict officially handed down by any ordinary offense.

(b) To fail to attend ten consecutive conventions (or assemblies) without justifiable cause.

(c) To fail to pay five consecutive instalments of dues without justifiable reason.

Art. 3. The board of directors shall determine the penalty applicable to any offense, as set forth in the article next above, in accordance with the seriousness thereof.

When penalty has been imposed for violating clause "a" of article 2 the defendant may appeal the decision of the board after which the case will be reviewed before the next convening assembly (or convention) and a definite and final verdict handed down. The reinstatement of members to whom penalty has been applied under clause "b" shall be effective after such members have attended five consecutive conventions (or meetings). The reinstatement of members to whom penalty has been applied under clause "c" shall be effective after they have fully paid all their delinquent dues.

Art. 4. The members of the Institute are forbidden to certify to balance-sheets, reports or accounts for any business of which they are proprietors, directors,

or in which they have partnership interests or any voice in managing. Neither may they certify to accounts of managements in cases where they have been made trustees or executors.

Art. 5. All balance-sheets, reports, opinions and statements prepared by the members of the Institute must present the plain truth. This may not be disguised or misrepresented, especially in any manner likely to cause error on the part of authorities or other persons who use the findings of accountants as a basis for assessing taxes, fixing credits, making investments, or for handing down decisions as judges or arbiters.

Art. 6. No member of the Institute shall permit another person to practise the profession in his name as a public accountant unless said person is also a member of the Institute or is a titled accountant in partnership with him. With respect to employees, these may perform only those services which are not the exclusive duties of the titled public accountant.

Art. 7. No member may engage in any business or occupation which in the judgment of the board of directors is inconsistent with the profession of public accounting. When this objectionable occupation ceases the member may, with the consent of the board (or council), resume his activities as a public accountant and he shall have the right to appeal for a final hearing as described in the second paragraph of article 3.

Art. 8. No member shall certify to any accounts, reports, or sign any other work of an accountant that has not been verified under the personal supervision of himself, a member of his firm, his employees, another member of the Institute of Titled Public Accountants of Mexico, or of another similar institution which reciprocates the same privilege to members of this Institute.

Art. 9. No member of the Institute shall solicit engagements from clients of other members or circulate malicious reports about a fellow-practitioner in order to cause him to lose his clientele. Neither may he offer his services for a fee lower than one previously quoted by another accountant for the purpose of obtaining work offered to the latter. When the Institute issues a fixed rate of fees all of its members shall be subject thereto and none of them shall quote any lesser rates.

Art. 10. It is the duty of all members of the Institute to keep professional secrets and they must not under any conditions divulge those learned from professional practice unless they have the authority of their client to do so or notification of other competent authority. Consultations or exchanges of opinions among members of the Institute are understood to be acts governed by the general obligation to keep professional secrets.

Art. 11. No member shall extend his services for a fee which is contingent upon the results obtained from his engagement.

Art. 12. All members of the Institute shall observe absolute morality in their lives both in public and in private.

Art. 13. The members of the Institute of Titled Public Accountants of Mexico may not undertake campaigns of showy and persuasive advertising but may only publish that which is technically called

"a card." In daily newspapers this may not exceed two columns in width by three inches in height, and in weekly publications, magazines, directories, etc., may not be larger than half a page. Members may announce that they are members of the Institute of Accountants and may add a brief enumeration of the services rendered by the profession. Also, they may distribute among their clientele circulars or pamphlets of general interest in which their specialty, the members of their firm, their address, etc. appear.

Art. 14. The Institute may engage in propaganda on its own account whenever it may be necessary and, while such propaganda must be entirely impersonal, it may include in special cases publication of the names and addresses of its members without, however, making special mention of any of them.

Art. 15. Any member of the Institute who violates any of the provisions contained in articles 4 to 14 inclusive will be temporarily suspended from his privileges as a member or definitely expelled from the Institute in accordance with the seriousness of the offense and the judgment of the convention as established by the requisites set forth in the following articles:

Art. 16. Any complaint that a private person or a member of the Institute has to present against another member, for violation of the rules of professional conduct herein contained, shall be presented in writing to the secretary by means of registered letter with return receipt. When the person accused is the secretary himself the charge shall be presented directly to the president of the Institute.

Art. 17. Immediately upon receipt of said complaint the secretary or the president shall call a meeting of the council (or board of directors) which shall be held within three days and this, in its turn, shall call an extraordinary general convention (or meeting) which shall take place within eight days.

Art. 18. At the extraordinary general convention, which the accused may not attend, there shall be appointed a judicial committee composed of three principals and three substitutes which shall be charged with making necessary investigations, hearing the defense of the accused, and formulating an opinion comprising a concrete recommendation to acquit the accused or, if they have found him guilty, the penalty to which he be subjected without recourse or appeal. Appointment to this judicial committee may be declined only on account of relationship or intimate friendliness with persons interested in the hearing.

Art. 19. The accused has the right to reject the appointment of the principals to the committee and the places thus made vacant shall be immediately filled from the substitutes.

Art. 20. The committee shall present its conclusions to the secretary or to the president, as the case may be, within fifteen days from date of its appointment and a new extraordinary general convention, which the accused may attend, shall be called immediately thereafter. This convention shall definitely decide by a majority of votes whether it approves or disapproves the recommendation presented after a discussion in which the spokesman for the committee and the accused, or his representative, may each speak twice. In the second event the committee shall immediately present a new recommendation based on conclusions inferred from the

vote of the convention, and this recommendation shall be voted upon anew in the same convention. There shall be no appeal or recourse whatever against the resolution of the convention. The accused shall have a voice in this convention but he may not vote.

Art. 21. When a member is suspended from his privileges or is expelled from the Institute he shall deliver his title to the president who shall return it to him when his term of suspension shall have been completed. If at the end of one month it has not been thus delivered his refusal shall be published in newspapers and in circulars addressed to businessmen, attorneys, etc., and if the refractory member discusses the case of his suspension he shall remain definitely expelled by means of a resolution of the board of directors.

Art. 22. Members suspended in accordance with the provisions of the foregoing code shall be obliged to pay their dues up to the time of their suspension.

#### *Transitory Article*

The present members of the Institute shall resolve in solemn session to observe the foregoing code of professional ethics and shall draw up a resolution to that effect which shall be endorsed by all those present. Members not present at the adoption of this resolution shall send in their written endorsement in terms arranged by the board of directors and all members admitted to the Institute in future shall do the same.

### **Honorary Accounting Degree Conferred**

William H. Compton, member of the American Institute of Accountants, has received the degree of bachelor of accounts from Rider college, Trenton, New Jersey. This institution is authorized by the state to confer one degree each year.

In making the presentation to Mr. Compton, John E. Gill, vice-president of the college, said in part:

"In handing you this parchment, which confers on you the degree of bachelor of accounts, I am really wondering if our committee on degrees didn't go somewhat afield in calling it an honorary award. In your particular case it is decidedly more active than honorary. In reflecting on your accomplishments in the field of expert and higher accounting, taking you through Rider college, through a great university and through the exacting state examinations for the degree of certified public accountant, I should judge that you are accredited with enough units to be entitled to three or four additional degrees.

"And all this is saying nothing of your enviable reputation as a useful citizen and able instructor in your alma mater, not forgetting your admittedly sound judgment in matters financial and the unselfish technical service you are rendering our state as a member of the New Jersey state board of public accountants. In this connection there is no finer attestation of the respect and friendship your colleagues entertain for you than your appreciation of

the fact that the president and the treasurer of your state board are in this audience tonight. Their being here is a voluntary attendance on their part to join us in doing honor where honor is due. Rider college, the city of Trenton, and the state of New Jersey, feel proud of you in your respective capacities as student, fellow-citizen and public servant.

"It, therefore, gives me the greatest pleasure to award you this degree in behalf of the faculty of Rider college, knowing that you will cherish the honor with undiminished credit to yourself and satisfaction to the accounting world."

### **Accounting Course in High School**

A course in practical cost accounting has been established in the Polytechnic high school of Los Angeles. The classes will be under the direction of a member of the California Society of Certified Public Accountants.

### **Farm Organization and Management**

In accordance with a plan of studying farm organization and management the economics section of the Iowa agricultural experiment station at Ames recently completed extensive and complete surveys of 231 farms in Warren county, southern Iowa.

The data gathered have recently been published in a new publication which is available for free distribution to those interested. It is known as bulletin 229, entitled, *Farm Organization and Management Studies in Warren County, Iowa*. Copies may be obtained from the bulletin section, Iowa state college, Ames, Iowa.

In this survey the factors which were found to influence most the amount of profits or losses were: (1) size of business; (2) combination and proportionment of enterprises; (3) efficiency of physical production; and (4) ability in buying and selling. Although the two latter factors are measures of the individual farmer's ability, the first two are points which may well be passed on from one farm to another.

The surveys showed that the larger farm was able to make economies in the use of machinery, power and labor. The best paying farms of the section had as little of their land in pasture as the topography and fertility of it would permit and as much devoted to a good cash crop like corn as could be handled without reducing yields.

## **INSTITUTE CHAPTERS**

### **Minnesota**

The Minnesota chapter of the American Institute of Accountants held a meeting in Duluth, August 14th, which was attended by about twenty-five members and guests. After the dinner a mock board of tax appeals trial was held, wherein all of the difficulties usually attendant upon such a trial by certified public accountants were brought out. The various points upon which an appeal is based were presented and discussed, and after the decision of the

"court," the case was discussed generally by the members. The "court" was H. C. J. Peisch, the rôle of attorney for the solicitor was taken by Maurice Stoffer, and the position of taxpayer's representative was filled by Charles H. Preston.

The Minnesota chapter held its September meeting on Thursday evening, September 10th, at the St. Paul athletic club. At this meeting L. M. Willcuts, collector of internal revenue, G. W. Kurtz, internal-revenue agent in charge, and ten of the various department heads were present.

## **COMMITTEE ACTIVITIES**

### **Special Committee on Public Affairs**

The committee on public affairs has a programme of activities ready for the fall months which it will put into operation at once, following the endorsement of its

work by the council and by the membership at the annual meeting.

The committee is engaged in preparing letter-bulletin 4 on "Federal tax simplification" which will be issued in a few weeks. In order that this may be truly representa-

tive of the thought of the accountancy profession as to desirable amendments to the federal tax laws from the point of view of simplification of procedure, the committee has sought constructive suggestions from accountants, and from others competent to speak authoritatively on taxation. It is not too late to submit suggestions for inclusion, in whole or in part, in the coming letter-bulletin, and the committee again calls on the membership to offer suggestions and thereby assist in making the document a noteworthy and valuable publication, circulation of which among trade organizations, chambers of commerce, banks and business men will assist in crystallizing public sentiment on the correction of tax procedure in matters which have given most trouble and concern to the taxpayer and to the government. It is planned to make the letter-bulletin a technical presentation of the subject, with due regard to points of public interest and the proper presentation of the interests of accountants.

Much of the material has been compiled during the past month, in conjunction with the special committee on taxation.

The annual report of the committee on public affairs was submitted to the council September 14th and by direction of the council was presented to the annual meeting September 16th. It will be printed in the year book of the Institute which will be issued later in the fall.

The work of compiling records of public service performed by members and associates of the Institute has been organized to the point where a fairly accurate measure of such activities may be had. It is the plan of the committee to carry on this work, with the coöperation of the membership, so that the increasing participation by public accountants in public affairs may be recognized and acknowledged.

The help of every member and associate is asked, in compiling these records. Accountants are urged to fill out the monthly report blanks and mail them promptly. With this issue of the *Bulletin* distribution of the blanks to the Institute membership is resumed.

The records of the committee disclose that members and associates hold membership in 178 other organizations. This is not believed to be a complete list, though it is impressive as indicating the growing

tendency of the Institute membership to take an active part in community affairs by joining and actively supporting their local organizations.

The committee has records of 172 speeches made during the year by members and associates. This list is not complete, as the plan for compiling records of public service was not completely organized at the beginning of the year and many members and associates did not report activities of this nature.

The distinct items of public service, performed during the year exclusive of speeches made and articles and books written, of which the committee has knowledge, number 154. Members and associates who performed any sort of public service during the year including speaking, writing, and community activities number 211.

The committee has knowledge of 51 articles and books written and published during the year by members and associates. These do not take into account the hundreds of articles prepared and published by the committee itself in newspapers, trade magazines and chamber of commerce publications.

The committee hopes that as the public-service work performed by members and associates increases a more complete record of such services may be available.

Circulation of all three of the letter-bulletins issued by the committee continues, entailing a great volume of correspondence.

J. S. Lincoln, assistant secretary of the Minneapolis civic and commerce association, in acknowledging receipt of an article relative to letter-bulletin 3 on credit frauds which was sent for publication in *The Minneapolitan*, wrote:

" . . . We assure you that this association is interested in assisting and coöperating with any organization which is interested in public affairs. In this connection, if the local chapter of the American Institute of Accountants wishes any assistance in furthering its plans for public affairs in this community, we will be glad to have them communicate with us."

The committee is coöperating actively with local and state organizations of certified public accountants in preparing their programmes of meetings for the fall and winter with the idea of coördinating the activities of local committees on public

affairs and those of this committee.

With the federal commercial arbitration measure taking effect in three months this committee believes that much valuable work in advancing commercial arbitration

may be done in states which have satisfactory arbitration measures on their books. The committee is prepared to supply literature on commercial arbitration to accountants interested in this subject.

## STATE BOARDS OF ACCOUNTANCY

### California

Certificates were issued to the following applicants by the California state board of accountancy on August 20, 1925: Walter Herbert Scott, William E. Block, Harry Kahan, Kelsey P. Clark, Raymond R. Hails, Amos L. Moreton, Clifford E. Piatt, Floyd T. Webb, William W. Rarity, Eldo T. Ewert, Clair C. Barnes, Charles N. Parlier, Charles C. Bowen, William E. Ware, William W. Gould, Louis H. Decker, Ernest Pel Adams, Owen S. Kyes, Robert Lawson, Roy F. Calvin, Harry K. Hill, Vernon Thompson, Lawrence A. De Rosa, Thomas R. Dempsey, William T. Archer, Donald L. R. Pratt, Hampden S. Beatie, Jr., Bernard Walters, Edgar P. Lyons, Harry G. Busby, Walter H. Ingold, Maurice J. Creamer, Victor A. Wiss, C. Edwin Oyster, Earl H. Berggren, Emmett R. Sanford, Norman G. Chambers, William C. R. Stirton, William H. Lewis, James A. Caster, Bernard Rose, Joshua B. Scholefield, Douglas A. Swan, Leslie D. Knowlton.

### District of Columbia

As a result of the May examination of the board of accountancy for the District of

Columbia two certificates will be issued, one to William G. Taylor and the other to William Torkington.

### Michigan

Under the new accountancy law of Michigan the board of accountancy must consist of four members, three certified public accountants and one practising attorney. The governor has appointed Adolph W. Ehrman, of Detroit as the new member. The three other members of the board, who were re-appointed, are: Robert Davidson, Durand W. Springer and Theodore C. Betzold, attorney.

### Pennsylvania

At the annual meeting of the Pennsylvania state board for the examination of public accountants held at Seaview golf club, Absecon, New Jersey, on August 25th, the following officers were elected for the coming year: Frank Wilbur Main, president; Joseph M. Pugh, vice-president; Robert L. Wallace, treasurer; Horace P. Griffith, secretary.

## NEWS OF LOCAL SOCIETIES

### Alabama Society of Certified Public Accountants

The seventh annual meeting of the Alabama Society of Certified Public Accountants was held in Birmingham. The election of officers resulted as follows: J. E. Dowe, president; J. F. Andrews, secretary-treasurer; Otto H. Schultz, chairman of the council. A banquet was provided at which there was a round-table discussion of plans of the certified public accountants for the coming year.

### Colorado Society of Certified Public Accountants

A social meeting of the Colorado Society of Certified Public Accountants was held in July at which the wives of the accountants were invited to be present. The banquet was followed by a theatre party. About eighty-five accountants were present at the meeting.



### **Illinois Society of Certified Public Accountants**

The Illinois Society of Certified Public Accountants held a meeting September 8th, at which the following officers were elected; Frederick Andrews, president; Angus Steven, vice-president and Lewis Ashman, secretary-treasurer. Upon this occasion the society presented medals to those candidates who had obtained the highest marks in the accountancy examinations held in May. The gold medal was awarded to Thomas George Brady; and the silver medal was won, for the first time in the history of the society, by a woman, Clara R. Stahl. An address was delivered by John C. Condrum, internal-revenue agent, on the subject of the federal state tax.

### **Society of Louisiana Certified Public Accountants**

The annual meeting of the Society of Louisiana Certified Public Accountants was held on August 13, 1925. The society has had an active year. Two public meetings were held, at which papers on accounting matters were read. Seventy-five hundred booklets were issued, each containing an alphabetical list of members and explaining the functions of a certified public accountant. Seven hundred copies of an address delivered before the society by W. J. Mitchell, vice-president of the Canal-Commercial trust and savings bank, entitled, *The Accountant and the Banker* were also distributed. The society also arranged with the New Orleans clearing house association for the dissemination to clients of information as to certificate of borrower required on certified balance-sheets. The society was represented at a conference of members of state boards of accountancy and officers of state societies in Washington, D. C., in December, 1924, by the secretary, George A. Treadwell. The membership increased during the year from 40 to 81.

The following officers have been elected for the coming year: Henry J. Miller, president; Curtis F. Scott, vice-president; Lanaux Rareshide, treasurer and George A. Treadwell, secretary. The foregoing, with the following who were also elected, constitute the executive board: Emile Bienvenu, Gordon M. Hill and Charles L. Seeman.

At the regular meeting of the executive board of the society, chairmen of committees of the society were appointed as follows: membership committee, Archie M. Smith; publicity committee, George A. Treadwell; luncheon club, Lanaux Rareshide; cost council, Emile Bienvenu; tax council, Gordon Hill; state board relations, Charles L. Seeman; legislative committee, Curtis F. Scott.

### **Massachusetts Society of Certified Public Accountants**

The following have been appointed chairmen of the standing and special committees of the Massachusetts Society of Certified Public Accountants for the present year:

#### *Standing Committees*

Meetings: C. Oliver Wellington, chairman  
Legislation: J. Edward Masters, chairman  
Publicity: Charles F. Rittenhouse, chairman  
Education: J. Hugh Jackson, chairman

#### *Special Committees*

Membership: Frederick Bond Cherrington, chairman  
By-Laws: Walter L. Boyden, chairman  
Golf: Raymond D. Willard, chairman

### **Virginia Society of Public Accountants**

At the annual meeting of the Virginia Society of Public Accountants, held at Richmond, September 5, 1925, the following officers were elected: Robert J. Walker, president; F. P. Stratford, vice-president; T. Coleman Andrews, secretary-treasurer.

### **Washington Society of Certified Public Accountants**

At the annual meeting of the Washington Society of Certified Public Accountants held at the Arctic club, Seattle, Washington, on August 29, 1925, the following directors were re-elected: Charles S. Cowan and Arne S. Hansen. Officers were elected for the coming year as follows: President, Charles S. Cowan; vice-president, Pearce C. Davis; secretary-treasurer, Andrew G. Elder; auditor, Louis E. Smith.

### **Wyoming Society of Certified Public Accountants**

The legislative committee of Wyoming Society of Certified Public Accountants drew up a banking code under the direction

of Stanley A. Brown, the state examiner, which was passed and adopted by the last session of the legislature and has met with approval by all the bankers of the state.

A speakers' bureau has been created for the purpose of having certified public accountants address public conventions held in the state this year.

## SPEECH REVIEWS

### REYNOLD E. BLIGHT—"THE CERTIFIED PUBLIC ACCOUNTANT AND HIS PROFESSIONAL SERVICE"

Address before the Los Angeles chapter of the California Society of Certified Public Accountants, June 26, 1925.

The necessity of educating the public as to the services of certified accountants, what constitutes certification, by what authority such certificates are issued and wherein the public may be benefited and protected thereby were topics discussed in the address. The speaker suggested methods by which a campaign of education may be put into execution. The campaign, he believed, should prove to the business public, by a comparison of accounting with other professions, the real need of the certified public accountant, the necessity and extent of his preparation, the business and professional experience required to enable him to obtain the certificate permitting him to practise as a C. P. A., and the responsibilities which the certified public accountant must undertake. Among other methods suggested was an essay contest for which suitable prizes would be offered among students in high schools, commercial departments and business colleges, on the general subject, "The certified public accountant and his professional service." The establishment of small accounting libraries in some of the larger schools was suggested as an additional plan.

### WILLIAM DOLGE—"THE IMMORALITY OF TAXING GOVERNMENT OBLIGATIONS"

Article published in *Coast Banker*, June, 1925.

The action of the government in imposing estate and inheritance taxes is compared by the author with a supposititious case which he uses as an illustration. He cites an example of a business man who calls his employees together and describes plans for the enlargement of the business, asks them to lend money to the firm and offers to pay 6% interest,—\$5 a month to each of his employees who will lend him \$1000 for the new venture. Ten of his employees having faith in his honor, ability and integrity, each lend him \$1000. Six months later the business man calls his employees together, announces that business is poor, that the new venture is more costly than was anticipated, and that beginning the first of the next month, every employee's salary will be reduced \$5 a month, but that the interest on the borrowed money, \$5 a month will be paid as heretofore. The author states that that is exactly what happened to citizens of this country when the government, after

borrowing from the citizens, turned around and began to collect back some of the interest on the borrowings in graduated income tax, surtax, estate and inheritance taxes. The author quotes extensively from *Taxation: The People's Business*, a book by Andrew W. Mellon, secretary of the treasury.

### PAUL W. PETTINGILL—"KEEPING BALANCE-SHEET FIGURES UP TO THE MINUTE"

Address May 21st before the Furniture Dealers' Association of Pennsylvania and New Jersey.

The writer states that when a balance-sheet is submitted to a banker the question that arises is: What has taken place since the company's financial situation was last reviewed? The banker is interested also in knowing how he may review quickly these changes without comparing individually the items on the comparative balance-sheets. The author points out that in accounting parlance the statement that reflects the above questions is a "statement of application of funds." It discloses how the new funds injected into the business have been applied. The author points out that a prompt, intelligent analysis of a customer's business is more necessary today than ever before. The grantor of credit must keep in close contact with the rapidly changing conditions. The statement of application of funds shows concisely the general financial changes and indicates the practical effect of financial policies which have been followed by the company. The management, if conservative, will have built up a working capital so that the ratio of current assets to current liabilities will be adequate. The earnings will not have been paid out in dividends to the exclusion of a desirable working capital ratio. The writer then discusses the sources from which current funds are obtained—from stockholders, from lenders of money, from operating income and from the conversion of fixed assets. Funds so derived may be applied to increases in working capital, purchases of long-term investments, additions to plant and equipment, retirement of outstanding long-term indebtedness or capital stock, together with payments and losses from operations. The author cites two comparative balance-sheets with increases and decreases in amounts carried into separate columns and adds that the application-of-funds statement may be completed by summarizing the increases or decreases in financial position. He presents a form for such a statement which can be used as supplement to the usual bank form in which the comparative balance-sheets of a company appear.

**CHARLES WEISSINGER—"DODGE SALE"**

Article published in the *Bankers Monthly*, June, 1925.

Mr. Weissinger described the sale of the Dodge Motor Car Company as the greatest sale that has ever been made for cash. He commented on the accord with which Wall Street coöperated to bring the sale to a successful conclusion. All traditions of the past, he said, were set aside and a new plan formulated and accepted by the public. The transaction established a goodwill value of \$50,000,000 for a concern which had no such item on its balance-sheet. The speaker pointed out that if

anyone had attempted to carry out such a plan twenty-five years ago, it would have been regarded with the gravest suspicion, but in this era the public backed the judgment of the bankers and absorbed a large part of the purchase price. The speaker pointed out that a unique fact of the transaction is that Wall Street has control of the organization which holds all of the stock which has the right to decide the policies and control of the company. This is a great centralized power which will be a public benefit if rightly handled, but will result in dire consequences if not rightly handled. No attempt was made to conceal this control from the public.

**OBITUARY**

**J. D. Buckingham**

J. D. Buckingham of St. Louis died July 15th. Mr. Buckingham had been engaged in the practice of accountancy for more than twenty years. He was a member of the American Institute of Accountants and held C. P. A. certificates of Missouri and Oklahoma. For twelve years Mr. Buckingham was associated with Haskins & Sells, but at the time of his death was practising independently.

**Nelson Vail Ketchum**

Nelson Vail Ketchum, member of the American Institute of Accountants, and

certified public accountant, died September 12th. Mr. Ketchum was senior partner of the firm of Pease & Ketchum, of New York.

**Charles Andrew McQuay**

Charles Andrew McQuay, member of the American Institute of Accountants, certified public accountant, died July 30th. Mr. McQuay was a well-known member of the profession in New Orleans, holding membership in several social organizations. He has been in public practice since 1914, and at the time of his death was a partner of C. G. Robinson & Co., of New Orleans.

**HERE AND THERE**

S. C. Avellone & Co. announce that they have opened offices in the Chemical building, St. Louis, Missouri.

Harold E. Bell announces change of his address to 620 Park building, Worcester, Massachusetts, where he is resident partner of Morgan & Morgan.

Crane & Bowman announce the opening of offices in Chicago, at 808 Harris Trust building.

Crockett, Couchman & Crawford announce the removal of their offices to 712 Santa Fe building, Dallas, Texas.

Deloitte, Plender, Griffiths & Co. announce that their practice on the west coast of South America will be merged with that of Sydney-Merritt & Co., from October 1, 1925. The practice will be carried on under the name of Deloitte, Plender, Sydney-Merritt & Co., in Valparaiso, Santiago, Iquique, Antofagasta, Lima and Arequipa. The resident partners will be J. Dixon, T. C. White, T. M. Bury, N. G. Ward, A. MacDonald and Alexander Rodger.

Paul-Joseph Esquerré and William Bernard Connors announce the formation of a co-partnership under the name of Esquerré & Connors, with offices at 20 Vesey street, New York.

Evans, Marshall & Pease, of 29 South LaSalle street, Chicago, announce that Herman W. Meyn and Joseph C. VanSchaick have been admitted as partners of the firm.

M. M. Hamma, Harry W. Nelson and Walter E. Hugins, will conduct practice under the firm name of Hamma, Nelson & Hugins, with offices at 1025 First National Bank building, Denver, Colorado.

Joseph M. Herman and Harry A. Klein announce the formation of a partnership under the firm name of Herman and Klein with offices at 277 Broadway, New York.

Woolf W. Lambert announces the removal of his offices to 1624, 1133 Broadway, New York.

The firm of Little & Farrington, Niagara Falls, New York, composed of W. Paxton Little and Howard F. Farrington, dissolved as of August 6, 1925.

Harry E. Lunsford announces the opening of offices at 1003 Pioneer Trust building, Kansas City, Missouri, and 42 Broadway, New York.

Lybrand, Ross Bros. & Montgomery announce that Russell I. Rose has been appointed associate manager of their Detroit office.

Zivel B. Niden, announces the removal of his office to 303 Fifth avenue, New York.

A. M. Pullen & Co. announce the removal of their Richmond office to 1103-06 State and City Bank building, Richmond, Virginia.

F. M. Weaver & Co. announce the removal of their office to 924 McGee street, Kansas City, Missouri.

Walter J. Weston announces the removal of his offices to the Bank of Nova Scotia chambers, Saskatoon, Saskatchewan.

William A. Wood Company announce the opening of offices in the Standard Life building, Pittsburgh, Pennsylvania.

\* \* \* \* \*

The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs.

J. A. Cooke, Worcester, Massachusetts, at a meeting of the Worcester chapter of the National Association of Cost Accountants held June 11th at Lake Quinsigamond took part in a debate on the question whether depreciation should be computed on cost values or replacement values. He led the argument in behalf of the cost-values basis. At a meeting of the organization held September 10th Mr. Cooke was elected a director for the current year.

Harry C. McCluskey has been elected vice-president of the Cost Accountants Association of York, Pennsylvania, for 1925-1926, and president for 1926-1927. Mr. McCluskey is also chairman of the programme and publicity committees of that organization.

O. W. Schleeter, Charleston, South Carolina, was elected an official delegate to the convention of Rotary International held in Cleveland, Ohio, June 15th to 19th.

Andrew Stewart, New York, has been appointed chairman of the committee on complaints of the New York State Society of Certified Public Accountants, and has been re-appointed a member of the special technical committee on auditors' statements for credit purposes.

Joseph H. Van Dorn, Philadelphia, is a member of a committee of the Philadelphia board of trade to recommend the repeal of inheritance taxes.

S. H. Wolfe, New York, delivered an address at Lake Placid, New York, July 4th, on the defense test, basing his remarks on the proclamations of President Coolidge and Governor Smith.

### **Publisher's Note**

This issue of the *Bulletin* is published on the 25th day of the month instead of the usual publication date, the 15th. Publication has been delayed to permit inclusion of a brief summary of the acts of the annual meeting of the American Institute of Accountants held in Washington, D. C., September 14th, 15th, 16th and 17th.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

\$1.00 PER ANNUM  
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OCTOBER 15, 1925

SERIES B, No. 18

### Institute Committees

The president of the Institute has appointed committees for the current year as follows:

#### *Committee on Arbitration*

W. O. Sharp, *chairman*, Mississippi  
H. W. Hennegin, Arkansas  
C. H. Preston, Minnesota

#### *Committee on Budget and Finance*

W. J. Wilson, *chairman*, Pennsylvania  
P. S. Suffern, New York  
John H. Bowman, New York

#### *Committee on Constitution and By-laws*

T. Edward Ross, *chairman*, Pennsylvania  
G. F. Meldrum, Kentucky  
A. C. Rae, Oregon

#### *Committee on Education*

For one year:

J. H. Jackson, Massachusetts  
G. V. W. Lyman, Louisiana

For two years:

John R. Wildman, *chairman*, New York  
David Himmelblau, Illinois

For three years:

J. O. McKinsey, Illinois

#### *Committee on Federal Legislation*

E. E. Gore, *chairman*, Illinois  
A. G. Moss, Texas  
W. P. Hilton, Virginia

#### *Committee on Publication*

H. C. Freeman, *chairman*, New York  
F. R. Roberts, Illinois  
J. P. Goddard, Utah

#### *Committee on State Legislation*

L. G. Fisher, *chairman*, Rhode Island  
P. W. R. Glover, New York  
S. G. Rusk, Ohio

#### *Committee on Terminology*

Walter Mucklow, *chairman*, Florida  
H. H. Albee, Massachusetts  
Ernest Wooden, Ohio

#### *Special Committee on Administration of Endowment*

G. O. May, *chairman*, New York  
P. G. Goode, California  
W. M. Lybrand, New York  
S. R. Mitchell, New York  
Arthur Young, New York

#### *Special Committee on Coöperation with Bankers*

W. B. Campbell, *chairman*, New York  
Joel Hunter, Georgia  
F. H. Hurdman, New York  
C. G. Robinson, Louisiana  
Wm. Sutherland, Illinois  
H. N. Sweet, Massachusetts  
H. I. Thomas, California

#### *Special Committee on Definition of Earned Surplus*

A. E. Anderson, *chairman*, Illinois  
M. E. Peloubet, New York  
L. L. Perrine, California

#### *Special Committee on Financing the Bureau of Public Affairs*

Arthur H. Carter, *chairman*, New York  
F. B. Andrews, Illinois  
Joseph M. Pugh, Pennsylvania  
John R. Ruckstell, California  
Lloyd B. Smith, Texas  
Andrew Stewart, New York  
Arthur W. Teele, New York

#### *Special Committee on Procedure*

Edward Fraser, *chairman*, Missouri  
Herman C. J. Peisch, Minnesota  
Hollis H. Sawyer, Massachusetts

#### *Special Committee on Public Affairs*

H. S. Pace, *chairman*, New York  
George Armistead, Texas  
Donald Arthur, New York  
Samuel Leidesdorf, New York  
G. S. Olive, Indiana  
A. A. Ross, Pennsylvania  
C. V. Rowe, California  
E. H. Wagner, Missouri  
C. O. Wellington, Massachusetts

The committee on credentials and meetings will be appointed when the place of next meeting is selected.

# Bulletin Supplement

September 20, 1925.

## To Members and Associates of the American Institute of Accountants:

The board of examiners recommended to the council at its meeting of September 14, 1925, the advancement of 4 associates to membership, the election of 2 applicants who had passed oral examinations, 3 who were eligible under the credit-for-other-examination clauses, 14 who were eligible without further examination, having already taken the Institute examinations for the C. P. A. certificate.

The council approved the recommendations of the board.

The following is a list of those recommended for election:

### *For advancement to membership:*

Henry Sealy Chapin, New York  
Elmer C. Martin, Missouri  
George Harvey Porter, Jr., Maryland  
P. Miles Taylor, New York

### *For admission as members:*

Charles Sweetser Concklin, Illinois  
Oscar E. Fischer, Illinois  
Charles L. Hardman, Ohio  
Harry Hull Lenhart, Ohio  
Thomas Miller McIntyre, Tennessee  
Louis Meyer, New York  
John Wesley Reed, Oklahoma  
Russell I. Rose, Michigan  
Samuel Earl Shook, Connecticut  
Frederic D. Utley, Illinois  
Henry William Welsch, Illinois

### *For admission as associates:*

Alexander Richardson Grant, Illinois  
Claude Williams House, Missouri  
Clarence Harvey Hurst, Tennessee  
Joseph M. Kane, Illinois  
John E. Keough, Indiana  
Perry Raymond Foster Marshall, California  
Harry William Moore, California  
Ben Stanton Naven, Illinois

If no protest is received by October 10, 1925, against the election of any of the applicants in the foregoing list, they will be declared elected by the president.

A. P. RICHARDSON, *Secretary.*

**NOTE—This is the first blank sent out since June. Please use it to report your summer activities.  
A blank will come to you each month hereafter.**

## PLEASE FILL OUT AND MAIL

**To COMMITTEE ON PUBLIC AFFAIRS**

AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET

NEW YORK, N. Y.

### **PUBLIC ADDRESSES DELIVERED AND PAPERS READ DURING JULY, AUGUST, SEPTEMBER**

(Copies of addresses delivered are desired by the Bureau of Public Affairs)

PLACE	DATE	ORGANIZATION	SUBJECT	LENGTH (In Time or Number of Words)	Number Present

### **ARTICLES OR BOOKS WRITTEN OR PUBLISHED DURING JULY, AUGUST, SEPTEMBER**

(Copies of articles and books published are desired by the Bureau of Public Affairs)

( PERIODICAL OR NEWSPAPER	DATE	SUBJECT	LENGTH

### **PUBLIC SERVICE PERFORMED DURING JULY, AUGUST, SEPTEMBER**

(Including Committee Work for Organizations, Except Religious and Fraternal)

Name \_\_\_\_\_

Address \_\_\_\_\_

September 30, 1925.

## **Society of Incorporated Accountants and Auditors**

The Society of Incorporated Accountants and Auditors will hold a dinner October 27th to celebrate the fortieth anniversary of the society. The affair will take place at the Mansion House, London. George Stanhope Pitt is president of the society. Sir Arthur Lowes Dickinson will represent the American Institute of Accountants at the dinner.

## **Meeting of International Chamber of Commerce**

Arthur M. Lovibond and W. Ernest Seatree attended, on behalf of the American Institute of Accountants, a meeting of the International Chamber of Commerce held in Brussels during the week commencing June 21st. The following is an extract from a letter from the late A. C. Bedford, who was chairman of the American section of the International Chamber of Commerce:

"I am taking this first opportunity on my return from abroad to write you, personally and on behalf of my associates of the American committee, expressing our gratification at the attendance of Mr. Arthur M. Lovibond, of Haskins and Sells, Paris, and of Mr. William Ernest Seatree, of Price, Water-

house and Company, Paris, representing your organization at the Brussels meeting of the International Chamber of Commerce.

"The presence of Mr. Lovibond and Mr. Seatree helped make effective the American participation in the meeting and I want to assure you that we appreciate this interest manifested by your Institute in the work in which we are engaged."

## **Accountants' Publication**

Niles and Niles, of New York and Boston, have published a booklet entitled *Review of Published Statistics*. In this pamphlet are compiled statistics relative to cost of merchandise distribution, rates of merchandise turnover, and fluctuations in manufacturing employments in the United States. These data have been contained in part in various other publications, but in no place before have they been brought together for presentation in consolidated and comparable form. Reviews of the booklet have appeared in the *Journal of Commerce* and in *Iron Age*.

The *Kansas City Star* magazine for August 30th contained a photograph of a bust of the late Elijah W. Sells. The portrait bust is by Gutzon Borglum, well-known sculptor.

## **REGIONAL MEETINGS**

Three important regional meetings of the Institute will be held next month. Unfortunately the programmes for these meetings are not available at the time of sending this *Bulletin* to press. The committees on arrangements are at work on details but definite announcement cannot be made until the committees have made further progress. It is suggested that all persons interested in accounting, whether members of the Institute or not, who expect to be able to attend, make inquiry of the chairmen of committees for full details which will be gladly furnished to all who inquire.

It is important that the open nature of such meetings be borne in mind. There is a hearty welcome awaiting anyone who is concerned with accounting. The order of business of these meetings is most informal and there is opportunity for all present to enter into the discussions of technical sub-

jects which constitute the principal part of every programme. Following is a list of meeting places, dates and chairmen of committees on arrangements.

New Orleans, Louisiana, November 19, 20, and 21, 1925. Region comprising Texas, Louisiana, Mississippi, Alabama, Tennessee, Arkansas and Oklahoma. George A. Treadwell, 503 Maison Blanche Bldg., New Orleans, La., chairman.

Indianapolis, Indiana, November 16, 1925. Region comprising Indiana, Ohio, West Virginia, Michigan and the western sections of Pennsylvania and New York. George S. Olive, 908 Hume Mansur Building, Indianapolis, Ind., chairman.

Chicago, Illinois, November 17, 1925. Region comprising Minnesota, Wisconsin, Illinois, Iowa, Nebraska, Missouri, Kansas, Kentucky. C. R. Whitworth, 10 S. LaSalle Street, Chicago, Ill., chairman.

## **BOARD OF EXAMINERS**

The fall examinations of the American Institute of Accountants will be held November 12th and 13th.

The president of the Institute has declared elected as of October 10, 1925, the following applicants, whose names were



presented to members and associates of the Institute in the *Bulletin* supplement of September 20, 1925:

*For advancement to membership:*

Henry Sealy Chapin, New York  
Elmer C. Martin, Missouri  
George Harvey Porter, Jr., Maryland  
P. Miles Taylor, New York

*For admission as members:*

Charles Sweetser Concklin, Illinois  
Oscar E. Fischer, Illinois  
Charles L. Hardman, Ohio  
Harry Hull Lenhart, Ohio

Thomas Miller McIntyre, Tennessee  
Louis Meyer, New York  
John Wesley Reed, Oklahoma  
Russell I. Rose, Michigan  
Samuel Earl Shook, Connecticut  
Frederick D. Utley, Illinois  
Henry William Welsch, Illinois

*For admission as associates:*

Alexander Richardson Grant, Illinois  
Claude Williams House, Missouri  
Clarence Harvey Hurst, Tennessee  
Joseph M. Kane, Illinois  
John E. Keough, Indiana  
Perry Raymond Foster Marshall, California  
Harry William Moore, California  
Ben Stanton Naven, Illinois

## STATE BOARDS OF ACCOUNTANCY

### Louisiana

Lanaux Rareshide of New Orleans has been appointed by the governor of Louisiana to serve on the state board of certified public accountants for a term of five years. Mr. Rareshide succeeds R. J. Le Gardeur, whose term expired. The personnel of the board is now as follows: Archie M. Smith, president; Emile Bienvenu, secretary; C. E. Wermuth, Lanaux Rareshide and H. M. Snider.

### Massachusetts

At a recent meeting of the board of registration of certified public accountants of Massachusetts, George L. Bishop was elected chairman and James J. Fox was elected secretary of the board.

### Nevada

The rules governing examinations of candidates for C. P. A. examinations in Nevada contain a reciprocity resolution. The resolution, as amended June 30, 1925, is as follows:

WHEREAS, It is desirable that qualified certified public accountants of other states, residing or doing business in Nevada, be under the jurisdiction of the Nevada state board of accountancy; and

WHEREAS, A number of the states have adopted the examination questions set by the board of examiners of the American Institute of Accountants and are accepting the grading of the papers awarded by the board of examiners of the American Institute of Accountants; or have established standards of examination requirements substantially equivalent to those established by such states; and

WHEREAS, The Nevada state board of accountancy has satisfied itself that the standards and requirements for a certificate as certified public accountant in a number of the states are substantially equivalent to those established by the laws of Nevada and the rules of the state board of accountancy; now, therefore, be it

*Resolved*, That the Nevada state board of accountancy will issue a certificate to practise as a certified public accountant in the state of Nevada to the holder of a valid and unrevoked certificate to practise as a certified public accountant in states that have standards for a certificate as certified public accountant substantially equivalent to those established by the laws of Nevada and the rules of the state board of accountancy, residing or doing business in the state of Nevada, upon the same terms and conditions under which the state that issued the original certificate to the applicant will grant a like certificate to practise as a certified public accountant to the holder of a valid and unrevoked certificate to practise as a certified public accountant issued by the Nevada state board of accountancy, and upon presentation to the Nevada state board of accountancy of an application in the form prescribed by the Nevada state board of accountancy, together with the statutory fee of \$25, and the original certificate or its equivalent, and subject to the approval of such application by the board of examiners in accountancy of the state where such original certificate was issued.

### Virginia

The next examination for the certificate of certified public accountant will be held at Richmond, Virginia, on October 26, 27 and 28, 1925. Applications should be in the hands of the secretary at an early date. Further information may be obtained from A. M. Pullen, secretary, Virginia state board of accountancy, Box 746, Richmond, Virginia.

## COMMITTEE ACTIVITIES

### Special Committee on Public Affairs

Intensive effort is being made by the committee on public affairs in the prepara-

tion of its letter-bulletin 4 on federal-tax simplification, and it is hoped that this document will make its appearance shortly.

Plans already are being formulated for the letter-bulletin to follow the one on federal taxation, so that there may be no delay in its publication.

The committee is about to undertake a campaign for the stimulation of the writing by members and associates of articles for publication. Details will be announced shortly, as soon as assurance is received that the committee's work for the year is to be adequately financed.

Coöperation with state and local societies of accountants in public-service work is receiving continuous attention at the hands of this committee. A study is being made of the form and content of various publications issued by state and local organizations, with the thought in mind that these may be made to conform to a given size so that accountants and others who are interested in keeping files of the publications may be put to less inconvenience. The committee coöperates with local societies upon request, in the preparation of programmes for meetings, and acts as a clearing house by passing along to all local organizations the most noteworthy of the undertakings of the various societies. This, it is hoped, will serve to coördinate in a measure the activities of local organizations. The committee is in contact with public-service committees functioning for a dozen or more state and local societies.

Review of the circulation to date of letter-bulletin 3 on credit frauds presents interesting facts as to the wide distribution given this publication and the many varying business interests which were reached.

The letter-bulletins went to 962 organizations of various kinds, including trade organizations, chambers of commerce, credit men's organizations, manufacturers' associations, schools, surety companies and banks. Of the 125 chambers of commerce to which single copies were sent immediately on publication, 48 requested supplies for distribution to their members. The committee was unable to comply with all these requests, but distributed nearly 10,000 in this manner.

Twenty-nine of the trade organizations of the country requested extra supplies for their members, in lots of 25 and 50, for a total circulation of slightly in excess of 1,000.

Fifteen miscellaneous associations, in-

cluding such organizations as the Association of Grand Jurors of New York County, Arbitration Society of America, California Sanitation Development League, Cleveland Association for Criminal Justice, Employers' Association of Spokane, Farmers' National Grain Dealers Association, Merchants' Protective Association of New York, Spokane Merchants' Association and California Manufacturers' Association, circulated 3,389 copies.

Eighteen credit men's organizations circulated a total of 31,833 copies. Libraries and schools required 626 copies.

Distribution to banks and surety companies was made partly by the committee, and partly by members and associates. The committee itself was called on to send copies to 59 banks and surety companies. No record is available of the number of copies sent to banks by members and associates, but it is believed that a large percentage of the banks of the country received copies, principally from the accountants themselves.

The committee regards it as significant that 367 members and associates requested supplies of the letter-bulletin for circulation. This is a large percentage of those in practice. They circulated in all 46,206 copies, all of which, presumably, went to individuals and business organizations.

More members and associates asked for and circulated copies of this letter-bulletin than of the two previous letter-bulletins combined, indicating an increasing participation in the undertakings of the committee. The greatest benefit from the publication and circulation of the letter-bulletins is reaped by the members and associates who make full use of them, who help to circulate them, who call them to the attention of various organizations, who discuss them in public addresses, or in conferences. The subjects chosen for letter-bulletins are of combined public and accountancy interest.

Accountants who are not members of the Institute, and other individuals numbering in all 129, circulated 509 copies.

Business firms and executives to the number of 320 wrote to the committee for 634 copies, after having heard or read of the letter-bulletin. This particular item of the circulation is regarded as of great

importance by the committee. Total distribution to individual business men by the committee was 954.

Practically the entire circulation of the letter-bulletin—nearly 100,000 copies—represents individuals actually reached. There was very little wastage.

The committee maintains a record of the participation by members and associates in the work of their local chambers of commerce. That record as compiled to date indicates that 65 members and associates assist their chambers of commerce in some respect, chiefly by committee work. These 65 members reside in 54 cities. Their participation in public-service work through their chambers of commerce is regarded by this committee as very commendable and an effective method of making available in civic work the talents, abilities and training of which they are possessed. The committee does not feel that its record of chamber of commerce service by members and associates is complete, and it urges all who have membership in their local chambers of commerce to notify this committee, whether any committee or other service has been performed or not.

A record of membership in other public, quasi-public and civic organizations is being compiled. Active membership in these bodies, and participation in their activities, is considered by this committee an impor-

tant part of the public-service work which accountants may perform.

Although the report blanks for the recording of public-service activities by the members and associates of the Institute did not go out until late in September, 35 such activities were reported before the end of the month as having been performed by 32 members and associates of the Institute. These include 25 items of public service, exclusive of speeches made or articles written; 7 speeches delivered and 3 articles published. Of a total of 116 newspaper clippings pertinent to the work of the Institute received during September by this committee, 64 referred to the annual meeting of the Institute and the remainder to public services performed by members and associates of the Institute, to letter-bulletins issued by this committee, and to miscellaneous matters in which the Institute is interested.

Summarizing the results obtained relative to newspaper announcements of the annual meeting of the Institute, it appears that 155 papers in 90 cities carried such announcements. There were 178 items in all, totaling slightly in excess of 700 inches of reading matter, or the equivalent of 33½ news columns, or 4.8 solid newspaper pages. The committee is indebted to many members and associates of the Institute for coöperation in this activity.

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A pamphlet entitled *Actuarial, Statistical and Related Organizations in the United States and Abroad*, published by the Casualty Actuarial Society contains descriptions of various organizations among which

the American Institute of Accountants is listed. The article relative to the Institute describes its origin, expansion and organization and mentions also the major activities and the publications of the Institute.

## NEWS OF LOCAL SOCIETIES

### **Alabama Society of Certified Public Accountants**

At the annual meeting of the Alabama Society of Certified Public Accountants addresses were delivered by Mayer W. Aldridge on "The future of the accounting profession in Alabama", and by Frank L. Hammond on "Budgeting." At the meeting a special committee was appointed to prepare a code of ethics for the society.

This committee is to prepare an outline of the code and to submit the draft to members by mail, but the final vote will be taken at the next annual meeting. The members of the special committee are: Frank L. Hammond, chairman; Otto H. Schultz and Francis B. Latady, all of Birmingham, Alabama.

The officers elected for the ensuing year were announced in the September *Bulletin*.

Vivian R. Pritchard, of Mobile, Harold C. Crane, of Montgomery, William J. Christian and Frank L. Hammond, of Birmingham, were elected members of the council.

### **Colorado Society of Certified Public Accountants**

At the meeting of the Colorado Society of Certified Public Accountants held September 30th the following officers and directors were elected: President re-elected, L. C. Linck; vice-president, Leon Williams; secretary, F. Tillman Brown; treasurer, Julius Von Tobel; directors: L. C. Linck, Clem W. Collins, W. M. Trant, Leon E. Williams, Ralph B. Mayo, R. M. Crane, T. R. Young, Theo. J. Witting, F. M. Fancher. The following committee chairmen have been appointed: programme committee, Wm. J. Thompson; public relations committee, T. H. Lawrence; legislative committee, W. M. Trant; attendance committee, F. M. Holmes; membership committee, O. F. Counts. The educational committee of last year is re-appointed, viz: W. J. Thompson, Thomas Redington and L. C. Linck.

The constitution and by-laws of the Colorado society have recently been amended. Significant passages are here quoted:

#### **CONSTITUTION OF THE COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

*Article II.* The objects for which the said corporation is formed shall be principally; (a) to succeed the Colorado Society of Public Accountants, a corporation organized on March 12, 1904, and existing under and by virtue of the laws of the state of Colorado, and to continue the same under the name first above mentioned, which said name is at present time better adapted to the objects for which the society originally was organized; (b) to succeed to all the rights, benefits, privileges, property and membership now held, owned or enjoyed by the said Colorado Society of Public Accountants; (c) to advance the interest of persons practising as certified public accountants in the State of Colorado; (d) to promote the study of accountancy and of laws pertaining thereto; (e) to hold lectures and classes of instruction of accountancy subjects; (f) to accumulate books and other literary matter as a library for the use of members; (g) to cultivate a spirit of professional coöperation and ethics among its members; (h) to establish a high standard of efficiency; (i) to secure the fuller recognition of the practice of accountancy as a profession and the passage of suitable legislation thereto; (j) to acquire, hold and convey personal and real property which it may be found necessary to acquire, hold and convey, and to do any and all acts necessary to carry into effect the purposes for which this corporation is organized.

*Article III.* The membership of this society shall consist of three classes, viz: fellow, associate and honorary members.

(a) Fellow members. This class shall consist of holders of valid and unrevoked certificates issued by the state board of accountancy of Colorado.

(b) Associate members. This class shall consist of all persons heretofore classed as associate or junior members of this society and who at September 30, 1925, were in good standing.

(c) Honorary members. This class shall consist of persons who by the unanimous vote of members present at any meeting, or nomination by the board of directors, shall be considered as entitled to receive such an honor by virtue of their standing or ability in the community.

*Article VI.* (a) The directors shall consist of the president and eight members, four of whom shall be elected at each annual meeting for a term of two years; provided that at the annual meeting in 1925, eight shall be elected, the four receiving the highest number of votes to serve for two years and the four next highest for one year.

(b) The officers shall consist of a president, vice-president, a secretary and a treasurer who shall be elected at the annual meeting of the society.

(c) The directors may appoint such junior officers or assistants, as in their judgement may be necessary or desirable.

(d) Officers other than the president shall be exofficio members of the board of directors in case such officers are not also directors.

(e) The terms of all existing directors and officers shall cease upon the adoption of these amendments and thereafter all directors and elective officers shall be from and by vote of fellow class.

#### **BY-LAWS**

*Article I.* Section 1. Any persons, other than the charter members, desiring to become members of this society shall apply in writing in such form as may be approved by the directors, and shall be proposed by one member and seconded by another, and notice of such application shall be mailed by the secretary to all the voting members of the society at least ten days prior to the next meeting of the board of directors.

Sec. 2. Upon acceptance of an application as provided in section 3, the secretary shall notify the applicant by mail. Within thirty days after date of notice of election to membership, applicant shall pay to the treasurer of the society as dues, the proportion of the annual dues for the full months remaining in the year ending on August 31st. Failure to do so shall nullify his election to membership.

Sec. 3. The directors of the society shall constitute the committee on membership. All applications for membership shall be submitted to this committee, who shall have full power to accept or reject application.

Sec. 4. There shall be a membership card issued annually to each member of the society designating the class to which he belongs. It shall be signed by the president and attested by the secretary, and in all statements, verbal or written, publishing the fact of membership in this society, the class to which the member belongs must be plainly stated.

Sec. 5. Any associate member obtaining a C. P. A. certificate from the state of Colorado shall be

transferred to the class of fellow member and the difference, in dues, if any, shall be paid by him from the date of notice of transfer.

Sec. 6 (a) Fellow members as defined in article 3 of the constitution, shall be entitled to all privileges of the society. (b) Associate members shall be entitled to all privileges of the society except to vote in the election of officers and directors or upon questions directly affecting the privileges, rights, duties, and aims of certified public accountants.

*Article VI.* Section 1. The annual meeting of this society shall be held in September of each year at such time and place as shall be determined by the board of directors.

Sec. 2. Special meetings of members of all classes, or of a single class, shall be called by order of the president or the board of directors, or by the secretary at the written request of any ten members; but no business shall be transacted, except that for which such special meeting was called.

Sec. 3. All the meetings of the society shall be held in the state of Colorado.

Sec. 4. Notices of all meetings of the members of the society, except as herein otherwise provided, shall be sent to members of the interested classes at his registered address at least five days prior to the date of the meeting. Such notice shall state the time and place of such meeting and the business to be transacted.

Sec. 5. Ten members shall constitute a quorum for the transaction of business at any meeting of the members of the society.

*Article VII.* Section 1. The order of business at the annual meeting of the members of the society shall be as follows:

1. Roll call.
2. Reading of minutes of preceding meeting of members.
3. Reading of communications and motions relative thereto.
4. Unfinished business laid over from previous meeting.
5. Report of officers.
6. Reports of committees.
7. Election of directors.
8. Election of officers.
9. New business.

Sec. 2. The order of business at meetings of the members of the society other than the annual meeting, shall be as follows:

1. Roll call.
2. Reading of minutes of preceding meeting of members.
3. Reading of communications and motions relative thereto.
4. Unfinished business laid over from previous meeting.
5. New business.
6. Reading of essays or papers by members of the society or others invited by the directors.
7. Discussion on the subject of the papers read.

Sec. 3. The order of business at any meeting of the board of directors shall be as follows:

1. Roll call.
2. Reading of minutes of preceding directors' meeting.
3. Reading of communications and motions relative thereto.
4. Unfinished business laid over from previous meeting.

5. Reports of officers and committees.

6. Election of new members.

7. New business.

*Article XI.* Penalties. Section 1. If any member is delinquent for six months in the payment of his dues, after having been twice officially notified in writing of his delinquency, his name shall be dropped from the roll of the society and the secretary shall notify him by mail of such action. Reinstatement to membership may be made by vote of the membership committee at a regular meeting. Any person who has by resignation ceased to be a member of the society, may be re-admitted providing satisfactory causes for such resignation accompany his application for reinstatement. When membership has been forfeited through non-payment of dues, the application for reinstatement will be considered, provided all arrears are paid.

Sec. 2. The board of directors may expel any member from the society for unprofessional or criminal conduct, or other sufficient cause, provided that written notice shall have been mailed to such member twenty days before any hearing thereof stating the cause of such contemplated action, and appointing a day for a full hearing thereon, by said board of directors, and provided that a member shall be expelled until such hearing shall have been held.

*Article XII.* Ethics. First. No member holding a C. P. A. certificate shall allow any person not holding such a certificate to practise in his name as a public accountant.

Second. No member holding a C. P. A. certificate shall, directly or indirectly, allow any brokerage, commission or other participation by the laity in the fees of profits of his professional work.

Third. No member holding a C. P. A. certificate shall, directly or indirectly, accept, or agree to accept, any part of the fees or profits of the professional work of a lawyer, or commercial brokerage, bonus or commission whatsoever, as an incident to work in which such member is professionally engaged.

Fourth. No member holding a C. P. A. certificate shall certify to exhibits, statements, schedules or other form of accountancy work, the preparation of which was not carried on under the direction and personal supervision of himself or an assistant who is himself the holder of a C. P. A. certificate issued or recognized by the state of Colorado.

Fifth. No member holding a C. P. A. certificate shall perform accountancy work, payment for which depends upon the contingency of the results of litigation. The purpose and intent of this section being to prohibit the taking of contingent fees, as "contingent fee" may hereafter be defined by the state board of accountancy.

Sixth. No member holding a C. P. A. certificate shall:

(1) Divulge the business confidence of his client, or of a brother C. P. A. in whose employ he is, or with whom he may be associated or in consultation.

(2) Depreciate a brother member's work, the object being to further his own employment.

(3) Canvass the known client of a brother member for business.

(4) Repress, omit or cover up any material fact, or in any way make false, incomplete or misleading report to his client. His work must be fearless and a full and fair exponent of facts.

*Article XIII.* It shall be the duty of the members

to report to the board of directors all unprofessional conduct or breach of by-laws or ethics which may come to their notice.

**Article XIV.** Section 1. Amendments or additions to these by-laws may be made at any regular or special meeting of the board of directors, by a majority of the members present, after having been presented in writing at the preceding meetings; provided, that written notice of such amendment or amendments shall have been mailed to every member of the society not less than five days before the date of the meeting at which action is to be taken.

### **Connecticut Society of Certified Public Accountants**

A special meeting of the Connecticut Society of Certified Public Accountants was held in New Haven, Connecticut, on September 25th, at the Hof-Brau Haus. Dinner was served at 7:15 P. M., and was followed by a business session.

The following were present: L. B. Baker, Maurice L. Blanchard, William D. Brash, Guy Cambria, Philip Covitt, Homer A. Dunn, William Feinblum, Seth Hadfield, Harry Jacobs, Clarence L. Johnson, Henry Knust, Maxwell E. Lerner, Emil J. Monde, Walter A. Musgrave, Reuben Pollowitz, Edward Raphael, John S. Roth, Herbert F. Seward, S. Earl Shook, Maurice Stolper, Leon E. Vannais, William Z. White, Charles C. Wilson, George R. Young.

Following the dinner, President Maurice L. Blanchard called the meeting to order, and received a report from the secretary, S. Earl Shook, that a roster of the members had been compiled with the assistance of Charles F. Coates, a member of the state board of accountancy, so that the members and their present addresses were listed in three ways; alphabetically, numerically by state society certificate numbers, and numerically by state C. P. A. certificate numbers. This information was turned over to the publicity committee for their use.

Reports were received from the chairmen of the committee on legislation and the committee on revision of the by-laws.

The committee on membership classification reported favorably upon the general proposition of organizing public accountants who have not received the state certificate, and bringing them into some sort of relationship with the society. The new committee, consisting of Homer A. Dunn, Herbert F. Seward and Charles F. Coates, was appointed to submit definite recom-

mendations as to how this situation might be brought about.

Seth Hadfield submitted a report as chairman of the committee on publicity, which was received with thanks, and made the subject of an interesting discussion. The committee's recommendations included the suggestion that some workable plan be developed so that the certified public accountants and the non-certified public accountants could meet together at stated intervals for the purpose of getting acquainted, and with the ultimate object of having all non-certified men desire to become certified.

Mr. Dunn suggested that a practical way of accomplishing this might be the formation of local chapters of the Connecticut Society, membership in which would be open to all men who have had a low minimum of actual public accounting practice either on their own behalf or on the staffs of practitioners.

A committee was appointed to give further study to this matter and report back at a meeting to be held on December 4th in Hartford.

The enlarged publicity committee is comprised of Seth Hadfield, chairman; Charles F. Coates, George R. Young, Herbert F. Seward, Lewis Sagal, W. Z. White and S. Earl Shook.

### **Maine Society of Certified Public Accountants**

A meeting of the Maine Society of Certified Public Accountants was held at the Portland university September 23rd. A buffet luncheon was served at the close of the meeting. The principal speaker of the evening was Elbert D. Hayford, state auditor, who outlined the accounting system of the state and discussed the problems of his office.

### **Michigan Association of Certified Public Accountants**

The annual meeting and dinner of the Michigan Association of Certified Public Accountants was held at the Hotel Statler, Detroit, on Thursday, October 1, 1925, at 6:30 P. M. The various reports of the officers and committees evidenced that the past year had been successful and satisfactory.

Reports of the annual meetings of the

American Institute of Accountants and the American Society of Certified Public Accountants were given by members who had been present on these occasions.

The association passed a resolution of appreciation of the services of the retiring president, P. A. Kerr, who was completing five years' service on the directorate of the association. The association elected the following officers for the ensuing year: directors, M. B. Walsh, Richard FitzGerald, Bernard N. Ward, W. T. McConnell, F. C. Blomfield, Albert M. Colegrove, and J. Lee Boothe; auditor, Walter V. Bernard. At the conclusion of the meeting of the association, the directors met and elected the following officers: President, W. T. McConnell; vice-president, M. B. Walsh; secretary, Albert M. Colegrove, and treasurer, Richard FitzGerald.

### **Society of Certified Public Accountants of New Jersey**

An all-day meeting was held by the Society of Certified Public Accountants of the State of New Jersey, October 6th at the Robert Treat hotel, Newark. The morning session was devoted to a discussion of regulatory legislation of the practice of accountancy. After lunch John T. Kennedy of Washington, D. C., attorney and former member of the committee on appeals and review of the United States treasury department spoke on taxation. He stated that the committee on appeals had been criticized as being autocratic and pro-government in its decisions, but pointed out that an analysis of its decisions showed that they favor the taxpayer in greater percentage than do the decisions of the advisory tax board and of the United States board of tax appeals. Mr. Kennedy said that much must be done to educate the public as to the administrative policy of the tax unit and spoke of the popular demand for decentralization in the adjudication of tax matters. He stated that the governmental attitude of mind favors the passing of responsibility and that the average tax officer believes that he never can go wrong by deciding against the taxpayer and that all the element of risk for the officer consists in favoring the taxpayer. Mr. Kennedy described the rigid rules of tax procedure which prevail

before the board of tax appeals. He spoke also of the duty of accountants to examine closely the inheritance-tax laws of the several states in order to bring about the proper conservation of estates.

John Warren, former president of the New Jersey League of Building and Loan Associations spoke on the accounting and legal aspect of affairs of the building and loan associations, which was followed by an animated discussion.

At dinner Homer S. Pace, president of the New York State Society of Certified Public Accountants, a member of the council of the American Institute of Accountants and chairman of its committee on public affairs, spoke on vitalizing the accountant's report.

Charles M. Mason, referee in bankruptcy and president of the New Jersey law school, spoke on the work of the bankruptcy court and the certified public accountant, and described how a large percentage of losses through bad accounts could be saved to the business public if certified statements were required of prospective purchasers before goods were shipped.

Franklin W. Fort, representative in congress from the ninth district of New Jersey and president of the National Bank of Newark, spoke on the certified public accountant's relation to sound banking.

A regular meeting of the Society of Certified Public Accountants of the State of New Jersey was announced for October 14th.

### **Pennsylvania Institute of Certified Public Accountants**

The first regular business meeting of the Pennsylvania Institute of Certified Public Accountants for the fall will be held on Monday, October 19, 1925, at the Manufacturers' club.

The committee on meetings has prepared a splendid programme for the season of 1925-26.

### **South Carolina Association of Certified Public Accountants**

The South Carolina Association of Certified Public Accountants will hold its annual meeting October 20th and 21st at Columbia, S. C. The following is a tentative outline of the programme:

The meeting will convene at 4:00 P. M.,

the 20th, at the Masonic Temple when there will be a discussion of the present South Carolina C. P. A. law, with a reading of a paper on this subject by L. L. Wilkinson, secretary of the South Carolina Board of Public Accountants. Other business matters will be taken up followed by the election of officers for the coming year. The meeting will adjourn to reconvene at 7:00 P. M., the 21st, in order to give the members an opportunity to attend the state fair and football game Wednesday. On the evening of the 21st, the banquet will take place. All public accountants of the state will be invited guests of the society. The principal speakers of the evening will be Thomas G. McLeod, governor of South Carolina; Pope W. Matthews, chairman of the board of directors, American Bank and Trust Co., W. R. Bradley, director of the income-tax department, state of South Carolina. The officers of the association are: B. C. Wallace, Jr., president; H. S. Blanton, vice-president and N. E. Derrick, secretary and treasurer.

#### **Texas Chapter of American Institute of Accountants**

Members of the Texas chapter No. 1 of the American Institute, together with a

number of other accountants of Dallas, attended a farewell dinner September 8th in honor of George M. Hofford on the eve of his departure for Los Angeles, his future home. Charles H. Schoolar, president of the Texas chapter, acted as toastmaster, and speeches were delivered by Loyd B. Smith, J. E. Hutchinson, Robert T. Cunningham, Grover C. Bland, and Joseph R. McElroy.

The success of this meeting led to a resolution to hold a dinner at least once each month where all the accountants of the vicinity may meet.

#### **Wisconsin Society of Certified Public Accountants**

Carl Penner was elected president, S. E. Barry, vice-president, and George A. Einbecker, secretary and treasurer of the Wisconsin Society of Certified Public Accountants September 21st at the Milwaukee Athletic club. The following were elected directors: Messrs. Penner, Barry, Einbecker, H. Kuechenmeister, B. A. Kieckhofer, C. J. Smith and G. T. Graham.

### **STATE LEGISLATION**

#### **South Dakota**

Chapter 115 of the laws of 1925 of South Dakota contains provisions altering the administration of accountancy in the state. This law redistributes and consolidates administrative functions of the state government. The following excerpt is significant:

"The department of finance shall be administered by the secretary of finance and it shall be his duty, and he is hereby vested with power:

— 21. To exercise such powers and jurisdiction and be charged with such duties as are now by law conferred and imposed upon the executive accountant, state budget board, *board of accountancy*, . . . it being the intention hereof that in addition to the general and specific powers and duties hereinbefore enumerated the department of finance shall succeed to and be vested with all the duties, powers, responsibilities and jurisdiction of

the several departments, boards and state agencies above enumerated. . . ."

This is apparently a substitute for section 2, chapter 146 of the laws of 1917, which reads as follows:

"On and after July 1st after the taking effect of this act the governor shall appoint three persons to constitute and be known as a 'board of accountancy,' whose duty it shall be to administer and provide for the enforcement of all the provisions of this act. The board thus appointed shall consist of the public examiner, the executive accountant and the insurance examiner of the State of South Dakota. The term for which they shall be appointed to serve on this board of accountancy shall be for the period of their incumbency in the respective offices to which they have been appointed."

The regulation of accountancy in the state, and the provisions for issuing C. P. A. certificates seem to remain unchanged except as to the method of administration.



## COURT DECISIONS

### Federal

The *Federal Reporter* of September 10, 1925, contains the following text of judgment in the case of *Goldsmith v. Clabaugh et al* before the court of appeals of the District of Columbia. The case received editorial comment in *The Journal of Accountancy* for June, 1925.

Appeal from supreme court of District of Columbia.

Petition by H. Ely Goldsmith, certified public accountant of the state of New York, for writ of mandamus to be directed to William Clabaugh and others, as members of and constituting the board of accountancy for the District of Columbia. From a judgment for defendants, plaintiff appeals. Affirmed.

Before MARTIN, chief justice, and ROBB and VAN ORSDEL, associate justices.

ROBB, associate justice. Appeal from a judgment for the defendants in the supreme court of the District of Columbia on petition for mandamus and answer thereto, to which answer a demurrer was interposed.

By the act of February 17, 1923 (42 Stat. 1261), there was created "a board of accountancy for the District of Columbia." Section 1 of that act prohibits any person, who has not received from the board "a certificate of his qualifications to practise as a public accountant," from assuming the title of "certified accountant" or any abbreviation thereof. Section 2 defines a public accountant "as a person skilled in the knowledge and science of accounting, who holds himself out to the public as a practising accountant for compensation," etc. By section 3 there is created a board of accountancy, consisting of three members, appointed by the commissioners of the District of Columbia. This section further provides that "the board shall organize by the election of a president and a secretary and a treasurer, and may make all rules and regulations necessary to carry into effect the purposes of this act."

Section 4 prohibits the granting of a certificate to any person other than a citizen of the United States or who has not declared his intention of becoming such, or who is not of good moral character. The applicant must be a graduate of a high school or possess equivalent education, or be one who, "in the opinion of the board, has had sufficient commercial experience in accounting," etc. Section 5 requires "that all examinations provided for herein shall be conducted by the board." Section 6 authorizes the board, "in its discretion," to waive an examination and issue a certificate as certified public accountant "to any person possessing the qualifications mentioned in section 4 of this act who is the holder of a certificate as certified public accountant issued under the laws of any state or territory which extends similar privilege to certified public accountants of the District of Columbia, provided the requirements for such certificate in the state or territory which has granted it to the applicant are, in the opinion of the board, equivalent to those herein required. . . ."

Section 7 authorizes the revocation of a certificate

"for unprofessional conduct or other sufficient cause: Provided, that notice of the cause for such contemplated action and the date of the hearing thereon by the board shall have been mailed to the holder of such certificate at his or her registered address at least twenty days before such hearing. No certificate issued under this act shall be revoked until the board shall have held such hearing, but the non-appearance of the holder of any certificate, after notice as herein provided, shall not prevent such hearing. . . ."

Section 8 relates to fees to be charged by the board, and by section 9 a penalty is provided for practising without a certificate or after revocation thereof.

In his petition the plaintiff based his right to a certificate upon the fact that he held a certificate as certified public accountant pursuant to section 80 of the General Business Law of the state of New York (Consol. Laws N. Y. c 20), and alleged that this law "provides for similar privileges to certified public accountants of the District of Columbia." Plaintiff further alleged therein that he had made application to the board in the District of Columbia for permission to examine his "application and other papers on file with reference to petitioner's application," and that this request had been refused. He also alleged that he had made similar application respecting all the applications on file with the board, which request likewise had been refused.

In their answer the defendants raised no question as to the citizenship, moral character, or education of the plaintiff, but did challenge the averment that the New York law relied upon extends similar privileges to certified public accountants of the District of Columbia. Answering the averment that plaintiff had been denied the privilege of inspecting his own application and other papers on file with reference to it, the defendants alleged that they had offered to furnish him a copy of his application, but admitted that they had refused to exhibit either the original application or the other papers on file pertaining to it; the answer alleging that these had become "a part of the confidential files" of the board, and further "that, for the proper and efficient discharge of their duties as constituting the board of accountancy for the District of Columbia, it is necessary that they should so conduct the work of said board as to be in position to obtain as full information as possible in regard to the various applicants who may file applications with them, so as to act advisedly in granting or refusing such applications, and that, if they may be required by any applicant to disclose any matters in the files relating to his application, or to exhibit to him any of the papers or documents connected therewith, they would thereby hamper themselves greatly in obtaining the information so necessary in regard to the various applicants, and would be able to render less useful and efficient service as the board of accountancy for the District of Columbia. These respondents are further advised and believe, and therefore aver, that the communications received by them from time to time in relation to various applicants who have filed applications with them for certificates as certified public accountants are confidential and privileged in character, and that it is the duty and obligation of these respondents to respect the confidential and privileged character thereof."

It is unnecessary to state the answer of the defendants to the statement of the plaintiff that he had been denied access to all other applications on file. The court below overruled a demurrer to the answer and dismissed the petition, on the ground that the law of New York does not extend to certified public accountants of the District of Columbia a privilege similar to that accorded by the local statute. The court further ruled that the defendants had not denied the plaintiff "any right that he possesses in refusing him the access to their records."

[1] Under the New York statute upon which plaintiff relies, the holder of a certificate issued under our statute, to be entitled to registration in New York without examination, must have practised three years under the certificate granted him here. In other words, while the holder of a New York certificate possessing the qualifications mentioned in section 4 of our statute is entitled, in the discretion of our board, to immediate registration here, without reference to the date of his registration in New York, the holder of a certificate issued by our board is not entitled to registration in New York without examination until he has practised three years under our certificate. It therefore is apparent, without further discussion, that the New York statute does not extend a "similar privilege" to certified public accountants of the District of Columbia, within the meaning of section 6 of our statute.

The conclusion we have reached on the first point results in an affirmance of the judgment, but, in view of the importance of the second question, and to its probable recurrence in other cases, we deem it our duty to consider that question. An examination of our statute discloses that quasi-judicial powers and responsibilities are conferred upon the board thereby created, similar to those conferred upon the United States board of tax appeals by section 900 of the act of June 2, 1924 (43 Stat. 253, 336), considered by us in *Goldsmith v. U. S. Board of Tax Appeals* (C. C. A.) 4 F. (2d) 422, No. 4257, present term. Possessing quasi-judicial powers, it necessarily follows that in its deliberations the board must conform to recognized rules of procedure; that is, regard must be had in such deliberations to due process of law.

[2] By this and similar statutes in other jurisdictions, it had been recognized that the practice of public accountancy has assumed such importance and requires such experience and special training as to warrant regulation. While these statutes are primarily designed to protect the public, they should be construed and administered in such a way that capable and deserving applicants, possessing requisite character and qualifications, may not be denied the right to gain a livelihood by practising their calling. These considerations should be observed in according due process of law to such applicants. Whispered gossip and undisclosed charges and suspicions find no place in this connection.

In *Garfield v. United States*, 32 App. D. C. 153, a proceeding before department of the interior for disbarment of an attorney, testimony had been taken by the department, without notice to the attorney and no copies given him. The court, defining due process of law, said: "Due process of law in such cases requires specific charges, due notice of the same, an opportunity to make specific answers to them, an

opportunity to cross examine the witnesses in support of them, an opportunity to adduce testimony in contradiction of them, and an opportunity for argument upon the law and facts." See, also *Hitchcock v. Smith*, 34 App. D. C. 521, 529, and *Turner v. Fisher*, 222 U. S. 204, 208 32 S. Ct. 37, 56 L. Ed. 165.

Section 7 of the act under consideration specifically provides that no certificate shall be revoked until "notice of the cause for such contemplated action and the date of the hearing thereon by the board" shall have been given the holder, and that "at all such hearings the corporation counsel of the District of Columbia or one of his assistants designated by him shall appear and represent the interests of the public." It is just as important that an applicant for a certificate, who brings himself within the provisions of the statute, should have notice of any charges made against him and forming any basis for the action of the board, as that the holder of a certificate should receive such notice in connection with the revocation thereof, and we think the statute clearly contemplates this, particularly the provisions of section 5 requiring that "the time and place of holding examinations shall be duly advertised for not less than three days in one daily newspaper published in the District of Columbia," plainly indicating that the examinations shall be public in all respects.

[3, 4] While the question whether an applicant is entitled to a certificate is addressed to the discretion of the board, the exercise of that discretion must not be arbitrary or capricious, but governed by recognized principles. For a board composed of public officials, as is this board, to refuse an application for a certificate for undisclosed reasons, is to violate the fundamental principles of justice and due process of law. Clearly, therefore, an applicant is entitled, prior to final ruling upon his application, to be informed as to everything to be considered by the board in his case, with full opportunity to present any relevant evidence he may wish to offer.

But it by no means follows that one applicant is entitled to consume the time of the board in inspecting the files of other applicants. The granting of a right is one thing, while the gratification of mere curiosity is quite another.

The judgment is affirmed, with costs.

Affirmed.

## Texas

A recent court decision in El Paso, Texas, has a bearing upon the illegal use of the title "C. P. A." W. H. Payne was charged with unlawfully using the letters C. P. A. after his name and on his business stationery, without, according to the witnesses, having ever passed the C. P. A. examination required by the state of Texas. The defendant possessed the title of C. P. A. N. A. which he had secured from the National Association of Certified Public Accountants. Judge J. N. Deaver found against the defendant, in that his use of the title was contrary to the laws of the state. Payne was fined \$1.00 and costs.

## SPEECH REVIEWS

### WILLIAM DOLGE—"THE INVESTOR AND THE CERTIFIED PUBLIC ACCOUNTANT"

Article published in *The Magazine of Western Finance*, July, 1925.

The writer refers to the practice of having advertisements of investments certify to legality, accurate appraisal, engineering features, etc., by experts in these various fields. Mr. Dolge expresses it as his firm opinion that the financial condition of a firm issuing stocks and bonds should be reported by a certified public accountant. He quoted Wesley J. Mitchell as follows: "The most important single source of credit information available to the banker of the present day is the financial statement. The banker, therefore, is the ultimate consumer of the accountant's product. . . ."

Mr. Dolge said that it is impossible to judge the value of any security without a financial statement showing the condition of the business. The certified balance-sheet is almost as important to the banker as his knowledge of the character of his customer.

The writer pointed out how the legality, the appraisal and the engineering research in an enterprise may be accurate and conservative, but if the financial structure is top-heavy then the earnings are inadequate and the investment is not a desirable one.

Business men in offering their stocks and bonds usually explain how their net earnings became so large, but the investor cannot rely on a bare statement not vouched for by reputable certified public accountants. The writer says that there are not enough certified public accountants to do all the work that should be done, and he warns against imposters in the accounting field who have given themselves imposing, but valueless, titles. Certified public accountant is the only recognized title in this country.

In selecting an accountant, he continues, the investor may inform himself of the reputation and prestige of accountants by inquiry at his bank, of his broker or his attorney.

### T. P. HILL—"DIRECT CHARGES FOR DELIVERY"

Paper delivered at meeting of the Associated Dry Goods Corporation at New York, June 15th.

The author describes methods of determining units of cost and states that the better known methods are those based on weight and size. Averages on which delivery charges may be based are struck for each department. In some cases as many as nine units of weight are employed and it is stated that three units of size are in common use. Zones of delivery must then be determined, the number of zones needed being decided by each store, governed largely by the need of suburban delivery and the type of delivery equipment used. Congested cities and areas are usually taken as one zone, outlying suburbs as another, and summer colonies possibly as a third. As the delivery of furniture requires special equipment, it is deemed best to consider these deliveries as in a separate zone carrying its own costs.

Unit costs for the various zones are set up and efforts to obtain sales volume in the cheaper delivery areas are encouraged. Inside costs must then be determined. These are divided by the author into two main headings—direct and indirect charges, the former including wages, supplies and rent, and the latter including wages, supplies and depreciation. The indirect wage charge is that of employees whose time cannot be charged directly to one or more departments. The indirect supplies represent the difference between supplies charged directly to departments and to physical inventory taken at the end of the month. The indirect rent charge will be the charge for any spaces that are used for the benefit of the inside delivery services and cannot be charged to any specific department. The indirect depreciation charge will consist of charges covering the cost of inside delivery equipment, distributed over its approximate life. These will include endless belts, bins and the like. The indirect inside delivery charges should be pro-rated through all departments and based on the percentage of deliveries from each department. A determination of outside costs should be made next. These should include costs for each different type of delivery in use and also costs reckoned by the various zones. The direct charges will consist of electric charging, gasoline, oil, tires, depreciation, insurance, licenses and taxes, and drivers' and helpers' wages. Information concerning these charges must be obtained from the drivers' daily report blanks. The indirect charges will include as their principal items garage rental, garage superintendent's salary, workshop rent and maintenance, chassis and body repairs, covering labor and materials, inspectors, oilers and greasers, washers, night watchman, uniforms and delivery office overhead, including rent, supplies and salaries. The indirect charges should be pro-rated on the basis of one of the following: days in service, days in reserve, total service and reserve days, total direct and indirect charges. The author advocates dividing the repair charges into twelve equal parts and absorbing one part each month on a percentage basis. When horse-drawn vehicles are used, food and horseshoeing should be considered in a manner similar to gasoline and oil. The author advocates spreading unit charges over the year so that no penalty will be placed on departmental managers for outside delivery charges made in slack months. A slight additional charge for C. O. D. delivery is advocated. Two cents per package is mentioned as a fair charge. It has been found advantageous to consider each call as one package regardless of the size and number of packages actually handled. For special delivery it is considered best to charge on a basis of the hourly costs of the equipment used for the purpose. When stores use delivery equipment to pick up incoming freight, it is advised that these charges be based on a daily or hourly rate covering equipment used. Accommodation deliveries of merchandise which do not originate in any departments of the store should be considered under the item of general expense. The author advocates treating delivery organizations as a distinct service department, allowing such department to make a small profit or to sustain a loss as the management or supervision is efficient or otherwise.

JOHN J. LANG—"MARTS OF TRADE"

Article published in April, 1925, number of *Fleur-de-Lis*, issued by St. Louis University.

The author states that the development of schools of commerce and finance came about through the organization of corporations and large business entities. By reason of the size of these corporations and because of the ensuing specialization of duties the individual was no longer afforded an opportunity to gain first-hand knowledge of the underlying

principles of this new development of business itself. By imparting knowledge of sound and correct business principles, losses resulting from failures in business can be reduced. Reduction of costs by the introduction of scientific handling of the various phases of industrial and commercial activities is brought about in part by the better training now given those preparing for business. The author spoke of the need of character in business and quoted from the letter-bulletin on the crime tendency published by the American Institute of Accountants. The study of the subject of ethics is an important part of any business course.

## HERE AND THERE

J. B. Allred announces the removal of his office from 719 City National Bank building to 655-656 Harvey-Snyder building, Wichita Falls, Texas, September 26, 1925.

Alex. J. Boka & Co. announce change in name to Boka & Eiswirth, 455 Planters building, St. Louis, Missouri.

Philip W. Cheslock announces the removal of his offices to 1320-21 Munsey building, Baltimore.

Gertrude Cohen announces the removal of her office to suite 606, 286 Fifth avenue, New York.

Donald E. Currier & Co. announce the removal of their offices to 58 East Washington street, Chicago, Illinois.

Francis J. Dolezal announces the opening of an office at 211 Commerce building, St. Paul, Minnesota.

William B. Hatton, announces the opening of offices at 318 Thatcher building, Pueblo, Colorado.

C. J. Hoke and T. D. McCrory will form a partnership in the near future with offices in the Clark Dredging building, at S. W. Second avenue, Miami.

M. G. Humphrey announces the dissolution of the partnership of Swisher, Humphrey & Co., with offices in the First National Bank building, Hammond, Indiana. Mr. Humphrey has taken the position as dean of the school of commerce at Valparaiso university, Valparaiso, Indiana, which school was recently purchased by the Lutheran organization.

William H. Kerman and Leland J. Kerman announce the formation of a partnership under the name of Kerman & Kerman with offices at 602 Tri-State building, Fort Wayne, Indiana.

W. P. Kohr announces a change of address to 1079 South Plymouth boulevard, Los Angeles, California.

Oscar I. Koke and James G. Bright announce their association in general accounting and tax practice under the firm name of Koke & Bright, Woodward building, Washington, D. C.; Fidelity Mortgage building, Cleveland, Ohio.

Ervin W. Leeder, Wilder G. Tiffany and Riddell & Plummer have consolidated under the firm name of Leeder, Plummer, Riddell & Tiffany, with offices at 621-623 Ellicott square, Buffalo.

It is announced that the firm of Magee & Wheeler has been dissolved by mutual

consent. Henry C. Magee will continue in practice at 313-14 Stephen Girard building, Philadelphia. F. Frank Wheeler has opened an office at 1201 Widener building, Philadelphia.

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C. B. Mount, Jr. and J. F. Wells, announce the formation of a partnership under the name of Mount & Wells, accountants and auditors, with offices at 7 DeKalb avenue, (Albee building), Brooklyn, N. Y., and 50 Church street (Hudson Terminal building), New York.

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C. G. Robinson & Co. announce the removal of their New Orleans office to suite 1208-1210, Union Indemnity building.

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Chas. H. Schnepfe, Jr. & Co. announce the removal of their offices to suite 1704, Citizens National Bank building, Baltimore.

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J. Austin Smith & Co., Louis R. Marais & Co., and Messrs. Mattison and Davey have pleasure in announcing an arrangement whereby the accounting practice, in Texas, of each of the three firms will, from September first, be conducted from Houston under the name of Mattison & Davey.

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Owen Stanley Thompson announces the removal of his office to 101 Park avenue, New York, where he will be associated with Willis S. Whittlesey.

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C. H. Wideman and J. R. Shotwell of Toledo have joined in the practice of public accounting. The new firm will be known as Wideman & Shotwell.

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Richard S. Wyler & Co. announce that Tom C. Hansen, Edwin L. Duncan and Baird Parks will be associated with the firm from September 23, 1925.

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The following information is derived from reports sent by members and asso-

ciates of the Institute on blanks distributed by the bureau of public affairs:

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William R. Basset was the author of articles entitled "Installment selling brings prosperity," "Profitable selling," and "Trimming sales cost," which appeared in the July, August and September numbers, respectively, of *Advertising and Selling Fortnightly*. "Can you trust your cost system and the cleared desk," by Mr. Basset, appeared in the *July Factory* and the *August Liberty*, respectively.

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Grant L. Bell, president of the Scranton chapter of the National Association of Cost Accountants, addressed that organization at the September meeting on distribution of burden.

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Hermon F. Bell, New York, will conduct a course at Columbia university on department-store accounting, involving the development of retail business, the principles of retail accounting and the various types of retail business.

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Andrew H. Blass, Pittsburgh, has been elected chairman of the board of trustees of Benjamin Franklin university, Washington, D. C. Mr. Blass is the author of an article on notes receivable discounted, which appeared in the October 1st issue of the *Pittsburgh Accountant*.

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Archibald Bowman has been reappointed a member of the committee on commercial law of the Merchants' Association of New York.

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Willis H. Brown addressed a meeting of the Cost Accountants of Los Angeles, on ratios, in August.

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J. A. Cooke has been appointed the director in charge of the meetings of the Worcester, Massachusetts, Chapter of the National Association of Cost Accountants.

William Dillon of Boston has been reappointed a member of the finance committee of the Boston Chamber of Commerce, on which he has served for sixteen years.

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Frank L. Hammond of Birmingham spoke on budgeting at the annual meeting of the Alabama Society of Certified Public Accountants, held September 8th.

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John J. Helmus, New York, delivered an address on partnership accounting before the New York Society of Accountants, at the Hotel McAlpin, September 15th. From May 16th to May 30th, Mr. Helmus performed active duty as captain of the Finance Officers' Reserve Corps, U. S. A., at the army base, Brooklyn, New York.

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Joel Hunter of Atlanta addressed the Georgia Field Agent's Club of the Mutual Life Insurance Company of New York, August 15th, on the death duties in an estate of \$150,000.

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Wayne Kendrick, Washington, D. C., is a member of the municipal finance and public utilities committees of the Washington board of trade. During September Mr. Kendrick lectured at the Washington School of Accountancy.

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A. D. Lewis of Casper, Wyoming, is secretary-treasurer of the Casper Lions' Club.

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Arthur M. Loomis addressed the Los Angeles chapter of the National Association of Cost Accountants, September 15th, on factors in the design of a cost system.

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John T. Madden addressed the Pennsylvania Electric Association at Bedford Springs, Pennsylvania, September 11th,

on the accountant's place in public-utility operations.

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Henry A. Niles of New York is the co-author of a technical pamphlet issued by Niles & Niles entitled "Review of Published Statistics."

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Homer S. Pace was the author of an article, "Accountancy as a profession," which appeared in the *New York Sun*, September 5th.

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Fletcher Ruark of Montreal has acted as chairman of several meetings in connection with civic and moral uplift matters.

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C. H. Scovell, Boston member of the Institute, and president of the National Association of Cost Accountants, addressed the Syracuse chapter of that association, September 16th, on debatable points in cost accounting. On September 22nd and 23rd, respectively, he addressed the Milwaukee and Twin Cities chapters of that organization, on analysis, distribution and application of burden.

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Henry L. Seidman, New York, addressed the New York Society of Accountants at a meeting held September 29th on the interpretation of comparative statements.

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Charles L. Talbot is vice-president of the Boston Chapter of the National Association of Cost Accountants, and presided at the first meeting of the season in Boston, September 24th.

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A bibliography of books on business economics published by the Dixie Business Book Shop, Inc., contains a paragraph in praise of the *Accountants' Index*, which was compiled by Louise S. Miltmore, librarian of the American Institute of Accountants.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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NOVEMBER 15, 1925

SERIES B, No. 19

### Next Annual Meeting of the Institute

The executive committee has given prolonged consideration to the place of annual meeting for 1926. Invitations have been received from many parts of the country and some of these invitations have been most warmly endorsed by members of the Institute. The committee desired to comply with the wishes expressed by the greatest number of members.

The general opinion seemed to favor Atlantic City and accordingly that has been selected. Following selection of place of meeting the two committees, whose personnel naturally depends somewhat upon the district in which the meeting will be held, were appointed.

The president of the Institute has appointed the following committees:

*Meetings:* Will- A. Clader, *chairman*, Pennsylvania

Theodore A. Crane, New Jersey

G. Harvey Porter, Maryland

*Credentials:* Ernest E. Wooden, *chairman*, Maryland

C. F. Bridewell, New Jersey

Stanley Spurrier, Kansas

### Tax-Law Amendment

Edward E. Gore, Chicago, and Lewis G. Fisher, Providence, of the special committee on taxation of the American Institute of Accountants appeared before the ways and means committee of the house of representatives, Wednesday, October 28th, and presented suggestions as to desirable amendments to the federal income-tax law and regulations from an administrative point of view. The following is quoted from the official record of the hearings:

STATEMENT OF MR. EDWARD E. GORE, OF CHICAGO, ILL., REPRESENTING THE AMERICAN INSTITUTE OF ACCOUNTANTS

THE CHAIRMAN. The next witness is Mr. Edward E. Gore, of Chicago, representing the American Institute of Accountants.

MR. GORE. Mr. Chairman, I represent the American Institute of Accountants, which is a national organization of practising public accountants of some 2,000 members.

We address ourselves to questions of administration solely. We believe you will hear enough on the other subjects from other people. But on questions of administration we believe we speak with some authority, for the reason that it is our business to know, on behalf of our clients, representing them, about how the revenue law is administered. We are in daily contact with the administration of the law, so we believe the suggestions we are to make are worthy of respect, or respectful consideration. In our opinion, of course, we think they ought to be enacted into law.

The first matter I would like to call to your attention has to do with section 900, providing for the creation of a board of tax appeals.

We have found the board of tax appeals to be a very useful instrumentality, and we have found it to be composed of men who are intent upon doing their full duty by the government and by the taxpayer.

We believe that the institution of that board was the outstanding achievement of the 1924 act. As I understand it, the proportion of findings in favor of the taxpayer has been sufficiently high thoroughly to justify all the representations that were made on behalf of the taxpayer, and it has been proven that nearly half the time the commissioner has been wrong in his conclusions.

We would have section 900 amended to extend the jurisdiction of the board. That jurisdiction, as you undoubtedly know, has been confined to the questions arising in the administration of the law after June 2, 1924, when the act went into effect.

The greatest need there was for a board of tax appeals or for a board that was independent and skilled in knowledge of and administration of the tax law, was to cure the defects and deficiencies that arose out of the hurried administration of the act during the war.

Those issues were represented in matters before the commissioner long before the act of 1924 was passed. They should have come under review.

There are still a number of them hanging out that ought to come under review. So we would ask that the board have its jurisdiction extended to cover the 1924 act or any other act where the statute of limitations has not yet operated against the commissioner.

We would also ask that section 900 be amended in such manner as to place the burden of proof on the commissioner. We find that, contrary to the rule that obtains in any court outside of France, the taxpayer is required to come into court and prove that he is innocent.

It seems to us that if the commissioner has a warrant for the imposition of an additional assessment, the proof ought to be at hand, before him, and, having the proof, it is no embarrassment for him to come before the board of tax appeals and present the proof. We know of no reason why the right of the taxpayer should be sacrificed to the convenience of the commissioner, where it is a matter of the commissioner contending that the taxpayer is wrong.

In some instances it is almost impossible for the taxpayer to give the proof that is required because of various circumstances. And in most of those instances the commissioner has acted upon the information of some man in the field, and that opinion may or may not be justified.

Mr. HAWLEY. If the taxpayer asks for a reduction of a tax, he certainly has the evidence in his business records readily at hand.

Mr. GORE. The board of tax appeals has no jurisdiction over requests for reductions in taxes.

Mr. GARNER. The taxpayer makes a rendition to the government and the government makes an additional assessment, and your contention is that the government, having made the additional assessment, it evidently has the facts and ought to present those facts to the board in the beginning, and that it, therefore, has the burden of proof.

Mr. GORE. Yes. I would say it would be scandalous for them to make an additional assessment if they did not have the justifying evidence at hand. It would be a scandalous proposition in the matter of the administration of a public office.

Mr. HULL. Do you know how many appeals are taken from the board of tax appeals to the federal courts?

Mr. GORE. I do not know the number, but they are not so numerous as I thought they would be.

Mr. GARNER. Before you leave that subject, may I ask you this question? If I understand the matter correctly, congress in the act did not direct where the burden of proof should be; that is, in section 900 of the act?

Mr. GORE. No, sir.

Mr. GARNER. That comes about through a ruling of the board?

Mr. GORE. That is a ruling of the board. Our idea is that the law ought to be specific on that point and that there should be no question as to what congress intends with respect to the burden of proof.

We would also ask that that section be amended to require the commissioner of internal revenue to file with the board of tax appeals notice of acquiescence or nonacquiescence with its decisions within 60 days after the same are announced.

There seems to be no restriction at the present time on the commissioner, nothing to require him to indicate whether he acquiesces or does not acquiesce

in a decision. So there is nothing to guide the matter after it has come to a decision.

One of the more important things that ought to be considered in connection with the board of tax appeals is that, if possible, there should be built up a line of precedents that we can depend upon, so that we will know that if in a particular case the board has held in a certain way it will handle any similar succeeding cases in the same way; and we ought to know that the commissioner is going to be bound by that holding and not have to defend the same issue time after time arising in similar cases.

Mr. HULL. Is not that being done?

Mr. GORE. Oh, no; the commissioner does as he pleases about it.

Mr. HULL. I mean, the board follows its own thought.

Mr. GORE. The board does, but the value of that precedent to the practitioner is lost very largely because the commissioner does not indicate that he is going to be bound by it.

Mr. HULL. It comes before the administrative department?

Mr. GORE. Yes.

Mr. ALDRICH. Do you know of a number of actual cases where the commissioner has overruled the decision of the board in similar cases?

Mr. GORE. That would be very difficult to ascertain, because the taxpayers are not in communication with each other about the troubles that they have over there. It would be very difficult to state that.

Mr. ALDRICH. But you believe there are a number of cases.

Mr. GORE. There is no doubt about it, in my opinion; I haven't any doubt of it.

We would ask that in the amendments made in the present law, corporations and partnerships be permitted to deduct from their gross income the donations made to religious, charitable, or educational organizations, on the same basis that individuals are permitted to make such deductions. I do not know that any argument in support of that is necessary.

Mr. GARNER. That is hardly an administrative matter, is it?

Mr. GORE. It is perhaps near the border line, but there is a considerable injustice in that, particularly in partnerships, which can be overcome by dividing it up among the several partners. But that is not always a convenient thing to do.

We have thought that that would be a change that would be advantageous to the taxpayers and would result in a comparatively trifling difference to the government.

We would also amend section 221 in such manner as to require no withholding and no payments at the source. From the best information I can get, gathered from those who are afflicted by section 221 in that particular, the cost of doing the thing is almost equal to the amount that is involved.

Mr. GARNER. What is that?

Mr. GORE. That is the withholding of the interest on tax-free bonds, having the banks watch every \$2 coupon that comes through and see whether there is a waiver filed and how much they can cash it for.

We believe that the annoyance and difficulty and expense that is imposed upon withholding agents is altogether out of proportion to the importance of it to the government. The amount of revenue is not enough and another means may be adopted by which



the same results can be obtained, so far as the government's situation is concerned. We would make an exception with respect to the income of aliens which, of course, ought to be withheld.

We would ask that the law be specific in permitting the taxpayer to file a tentative return on the seventy-fifth day after the close of his year, with the duty to file a completed and final return within 150 days after the close.

As it is, the commissioner has the authority to grant extensions when they are applied for, but that is all within his discretion.

We would have, with this tentative return, a payment of one-quarter of the tax, or of the estimated tax, at the time that it is filed, with a charge for interest, if any of it should be understated.

The reason for this suggestion lies in the very great difficulty there is in a final and full determination of the entire income of an important business organization within the period allowed.

To the citizen who is not familiar with the methods that obtain in the closing up of the affairs of a big corporation for the year, it would seem that the time between the 31st of December and the 15th of March would be sufficient. But it is not sufficient.

Mr. BACHARACH. Is there any difficulty in getting an extension of 30 days?

Mr. GORE. Yes; there is sometimes difficulty. I have known of extensions to be asked and the number of requests are so numerous in the office of the commissioner that he could not attend to them and we would hear on the 17th, the 18th, or the 19th of March that the extension had been allowed. In the meantime, we would clap together the return, knowing that it was deficient, but putting it in to avoid a penalty; and a great many are brought to that necessity.

Mr. BACHARACH. I was wondering whether they ever refuse an extension. I do not know of a case.

Mr. GORE. I do not think they refuse it.

Mr. BACHARACH. So you really get an extra 30 days; instead of having 75 days you would have 105 days if you received a 30 days' extension.

Mr. GORE. Yes; but what we are contending is that if the law gives the option to the taxpayer so that he knows what his rights are, he can file this tentative return and pay one-quarter of the estimated tax and go on without waiting to find out whether it suits the convenience or the ideas of the government; that he will be in a very much better state for the conduct of his business than he is now.

The CHAIRMAN. Would that make any particular difference to the treasury?

Mr. GORE. Not one dollar.

The CHAIRMAN. Would it on the contrary be likely to facilitate matters?

Mr. GORE. It would. It would facilitate things greatly in this respect, Mr. Chairman. Where they are crowded in this fashion, they will file a return, hoping it is as near right as possible, but go on with their work of determining what was their actual net income for the preceding year. When that is determined they will file an amended return, which involves the extra labor that would naturally be connected therewith on the part of the treasury.

They then have first, the first return filed, then the amended return to be compared, one with the other, to find out in what particulars they differ, and whether or not they shall accept the amended return, and what are the relative results to the government

as between the two, and if the government is given a less amount of money on the amended return, there is a considerable amount of agitation in the treasury department and work and worry over it before they get done with it.

I would say it would double the work on that particular return to the treasury department. We want that to be a right of the taxpayer to file that return without asking anybody, pay his estimated amount of tax and go on about his business, close up his books in the regular, orderly fashion that ought to obtain.

There is just one other matter that I would call to the attention of the committee and that is the proper provision with respect to installment sales. The commissioner of internal revenue has had in effect a reasonable provision which, however, is I believe held by the board of tax appeals to have no legal warrant.

There is nothing in the law that gives him the right to determine profits on installment sales in the manner that has heretofore obtained.

We would like the law to be specific. We would like it to provide that the returns from installment sales should be taxed in proportion to the amount of profit made at the time it is received.

If, in a sale of \$5,000, there is concealed a profit of \$2,000, or 40 per cent, then on every payment made on account of that sale 40 per cent is to be treated as the gross profit on that sale and taxed accordingly and not taxed until it comes in.

As it is, some deferred-payment sales are taxed immediately, others go into a long quarrel with the department to determine whether or not they ought to be taxed immediately, and others are not favored by being permitted to be taxed at the time that they think they ought to be.

Mr. COLLIER. I believe one of the names for it is shoestring sales, especially on land, where a man buys a piece of land and pays for it in 5, 6, 7, or 8 years, with a partial payment each year. The revenue commissioner, in his discretion, as I understand it, has determined which one of those sales would come under the shoestring section, whether it was entirely one transaction or whether it was a series of transactions, and would permit them to pay the tax each year as this partial payment was made; whereas, if it was not for a long term of years but just for several years, I have been told that they made the tax due when the sale was consummated. What do you say about that?

Mr. GORE. I would say that that was substantially true. The ruling has been substantially—of course, there are variations between the different cases—that if there be paid a payment down of 25 per cent—that is as much as 25 per cent—and the balance was to be paid within three or four or five years it would be regarded as a closed transaction. But if only 5 or 10 per cent were paid down and the rest was paid in four or five years, that would fall outside of the closed transaction and it would be payable as it came in.

The commissioner exercised a very broad discretion, and he also considered that if monthly payments were made instead of semi-annually or annually, a different holding might be had in the case in hand at that time.

We would like the law to be definite on the subject, so that the taxpayer will know what taxes he owes and when to pay them and will not be in controversy

with the commissioner over the use of the commissioner's discretion; he will be prepared to decide whether he wants to trade with the fellow who offers him something for the property he wants to sell.

Mr. COLLIER. The commissioner paid much regard, then, to the amount of the initial payment that was made, didn't he?

Mr. GORE. He took that into consideration.

Mr. COLLIER. Suppose there was a transaction extending for 10 or 12 years; that is, a land transaction, and only a small initial payment would be made. How would that be considered?

Mr. GORE. That would be considered an open transaction and the profits would be taxable as they came in. That, of course, applies on installment sales of a piano and various things; perhaps automobiles and other things that run over a long period of time.

Mr. GARNER. If I understand your suggestion, your general policy is that wherever congress can lay down a specific rule as to the obligation of the taxpayer as to the payment of his tax, it is better to do that than it is to leave it to the discretion of the commissioner of internal revenue.

Mr. GORE. Unquestionably.

Mr. GARNER. And this is one of the instances where you think congress can lay down a definite rule?

Mr. GORE. Yes, sir.

Mr. GARNER. May I refer to this board you spoke about? A while ago you said you referred to its independence. Do you think it is advantageous to have it as it is now, wholly independent of any department of the government, an independent board, instead of being under the treasury department, as suggested by the secretary in the 1924 act?

Mr. GORE. There is no question about that.

Mr. GARNER. There was some question at that time.

Mr. GORE. There is not any now; there can not be any question.

Mr. GARNER. Then congress was wise in making it an independent board?

Mr. GORE. Congress has again indicated its wisdom, which it does, however, so frequently that the people are accustomed to it and do not remark upon it.

Gentlemen, I believe that is all I have to offer.

The CHAIRMAN. The committee is obliged to you for the orderly way you have presented your suggestions, and they will receive careful consideration.

Mr. RAINEY. We are not accustomed to those tactfully considered answers with reference to the wisdom of congress.

Mr. GORE. Maybe everybody is not as appreciative of real talent.

### **International Accountants' Congress**

An international congress of accountants with representatives of accounting societies from all parts of the world will be held in Amsterdam in 1926. The congress will be organized by the Netherlands Institute of

Accountants in coöperation with the Netherlands Union of Accountants and the Netherlands Organization of Accountants. July 6th, 7th, 8th and 9th have been selected as the dates for the meeting. Committees have already been appointed, their respective titles indicating the activities for which they have been formed. The committees are: executive committee, literary committee, press committee, reception committee, hotel and traveling committee, festival committee and excursion committee. A committee of ladies will also be formed to welcome the ladies accompanying foreign visitors to the congress.

The object of this international congress is laid down in the following statement:

The International Accountants' Congress desires to create the opportunity for international exchange of views on subjects relating to accountancy and efficiency, hoping thereby to work towards international rapprochement, in order:

- a. That the knowledge and experience acquired by the public accountants and efficiency organizers in all countries shall benefit the greatest possible number of concerns;
- b. That the public accountants in the various countries shall become acquainted with each other's methods thus promoting a similarity of practice;
- c. To propagate views and opinions which should be adopted internationally on problems relating to the science of costs calculation and principles of efficiency.

No binding resolutions will be passed by the congress.

The American Institute of Accountants will be represented at this meeting. Invitations have been accepted also by societies in the following cities: London, Edinburgh, Dublin, Paris, Leipzig, Berlin, Frankfurt, Vienna, Stockholm, Zurich and Brussels. Other societies have been invited but have not yet responded to the invitations. During the meeting papers will be read on the following subjects:

Increasing and diminishing returns on cost price.

Valuation for the balance-sheet and profit-and-loss account.

Industrial organization and management.  
Standard costs as a basis of management and industrial control.

Office machines, appliances and methods.  
The accounts of local authorities.

The accountant's certificate and the accountant's responsibility.

The organization of large accountants' offices and its effect upon the accountant's responsibility.

Education for the profession.

Legislation for the profession.

### **Chamber of Commerce Committee on Taxation**

The chamber of commerce of the United States has recently appointed a committee on taxation. Edward E. Gore, former president of the American Institute of Accountants, is one of the members of this committee. Mr. Gore is chairman of the sub-committee on administration which has been appointed to investigate thoroughly the administrative features of taxation in the country. It is hoped that this committee of the chamber of commerce will be a great factor in improving and reforming the system of taxation in the United States. The full personnel of the committee is as follows:

James R. MacColl, *General Chairman*.

1. *Sub-committee on Principles of Taxation:* Eric Englund, *Chairman*, Agricultural College of Kansas; Howell Cheney, South Manchester, Conn.; A. C. Dodson, Bethlehem, Pa.; Lucius R. Eastman, New York, N. Y. William Fortune, Indianapolis, Ind.

2. *Sub-committee on present federal-tax structure:* W. W. Head, *Chairman*, Omaha, Nebraska; Karl DeLaittre, Minneapolis, Minn. Leslie F. Gates, Chicago, Ill.; Wm. F. Gephart, St. Louis, Mo.; George M. Graham, Cleveland, Ohio; C. C. Hieatt, Louisville, Ky.; Howard Heinz, Pittsburgh, Pa.; Edward G. Miner, Rochester, N. Y.

3. *Sub-committee on federal-tax administration:* Edward E. Gore, *Chairman*, Chicago, Ill.; Thomas S. Adams, New Haven, Conn.; James R. MacColl, Pawtucket, R. I.

### **Robert Morris Associates.**

At a recent meeting in Chicago of the Robert Morris Associates, the committee on coöperation with public accountants offered the following report:

While this committee in its periodic reports has referred to various matters of general interest, its policy has been to select one topic upon which to lay special emphasis. This time it is the matter of the certificate of the accountant. We urge that you read the wording of the certificate very carefully and that you refuse to accept a statement bearing a qualified certificate without a full explanation, or any statement which indicates that it has been drawn up by an accounting firm but to which no certificate is attached.

As justification for this recommendation we would cite an instance where there was submitted to one of our members, by a customer, a statement made

up by accountants accompanied by copy of a letter from the accountants to the customer which stated in part:

"Pursuant to engagements we have made an audit of your books and accounts for the year ended May 31, 1925, and submit herewith the following described exhibits, etc."

We wrote the accountants asking as to whether this might be considered a certified statement, and if not, just what significance should be attached to a statement put out in this form. We will quote verbatim their reply:

"The statements in the report of the X Corporation, are not certified. I am unable to say, without further investigation whether or not there is any reason why our certificate should not be appended. Usually, when statements are not certified, it is because so many qualifications would be required to give the certificate proper meaning that the certificate would be practically useless. In such cases, usually we set forth the qualifications fully in the comments, with the idea that the comments will be read and considered in connection with the statements.

"It may be unfortunate, but nevertheless it is true, that at this stage of development in accountancy, accountants' reports have to be read with some discrimination. The reader should look for the certificate and then read the certificate carefully; otherwise, the conditions may have been such that the process of verification was limited, or dictated, by the client, and consequently may have been incomplete or ineffective.

"I suppose you have no idea of the limitations and restrictions which are placed upon the work of public accountants, and do not realize the difficulty involved in serving the client, at the same time preparing a report which can be accepted by any interested party, for whatever purpose, without analysis and study.

"Generally, it is understood that an unqualified certificate stands for verification of the accounts which is complete and satisfactory to the auditors. When that condition does not exist, it becomes necessary for the auditor to render a certificate which is qualified, and when the qualifications become so numerous as to nullify the value of the certificate, to omit the certificate and set forth the qualifications in the comments."

It seems to your committee that it would be hard to imagine a more eloquent or convincing argument in support of the recommendation made above. If in the mere listening to the simple reading of this letter you may have missed its significance, please review it when this report appears in our bulletin as it is well worth your attention.

The financial statement of a well-known company which has accounts with a number of banks, members of the Robert Morris Associates, and whose paper is offered in the market, bears a certificate reading as follows:

"We hereby certify that we have audited the books of account and record pertaining to the assets and liabilities of X Company, at January 31, 1925, and that, in our opinion, based upon

the records examined and information obtained by us, the foregoing balance-sheet is drawn up so as to set forth the correct financial condition of the company at the date named."

We asked as to whether this might be considered an unqualified certificate or if we were supposed to read something into the phrase "based upon the records examined and information obtained by us." The representative of the accounting firm to whom we spoke, said that though they had been putting out the statement in this form for many years, it was, so far as he knew, the first time the question had ever been raised. As the statement was drawn up under the supervision of one of their branch offices, he promised to get the information and report back, but as yet we have heard nothing further from him.

The statements of two concerns whose paper appears in the open market and who maintain accounts with a number of our members, both bear a certificate of an accounting firm reading as follows:

"We hereby certify that the above balance-sheet is in accordance with the books after closing on —."

Your chairman wrote the firm asking as to the significance of such a certificate and stating that he took it for granted they would not lend their name to a statement, even in this qualified way, unless they were willing that the banks should believe they considered the statement a true showing, though they had not followed the customary practice of incorporating that phrase in the certificate.

Now there is no doubt in the minds of your committee that these statements have passed muster with both the banks of account and paper-buying institutions, as certified statements, consequently you will be interested in an extract of the reply from the accounting firm:

"You are perfectly correct in taking it for granted that I would not lend my name to a statement even in this way, unless I were willing to have the banks believe that I considered the statement a true showing—yet I merely certified to the fact that the balance-sheet was in accordance with the books of each of the corporations in question, after closing, on certain specific dates.

"The truth of the matter is that in each of these cases no check audit was made, but merely an analytical examination of the books before and after closing, for the purpose of preparing and filing the corporation returns, or for the purpose of preparing brief condensed financial statements, and on these statements, the phrase in question was used by me for the purpose of calling attention to the true condition, and without any intention on my part of either deliberately or unwittingly misleading."

Supplementing this letter a senior partner of the accounting firm called upon one of the members of our committee to further explain his position. He stated that the certificates intended to be exactly as they appeared to be, as he had not made an audit but simply looked over the books and drew up the statement therefrom without knowing whether the books were correct or not. He said that the receivables might include substantial amounts due from an affiliated concern but he did not know whether this

was true or not, and even went to the point of admitting that a certificate of this character might be considered as a reflection on the management.

As indicating that all accountants do not agree as to the necessity of mentioning contingent liabilities, a case of such a character involving the rediscount of several hundred thousand dollars of customers' paper, came to our attention. Your chairman wrote the accountant, who operates under his individual name, and received a reply reading in part as follows:

"I am a member of the American Society of Certified Public Accountants and was also a member of the former American Association of Public Accountants and at various times in partnership with past presidents of the latter, so that I may claim to know something of the code of ethics obtaining in the profession. From an experience of some forty years in the profession, both in England and America, I have never known it to be obligatory to refer to any contingent debt, either in the balance-sheet or certificate thereto—unless in the opinion of the auditor the facts would not permit of a full certification.

"An auditor has a duty to his client as well as to the public, and I am sure that duty would be ill performed in many cases if all the possible reservations were made. I need scarcely say that I am anxious to advance the interests of my profession in any way practicable, but as you may well realize, there are many guaranties given in these days the liability on which is negligible."

This accountant also called on one of the directors of the Robert Morris Associates located in his own city, to further explain his attitude. It seems that the concern in question had been through many difficult years and was so well pleased with the excellent showing they had been able to make in this particular statement, that it was desired nothing should appear on the statement which would detract in any way from this showing. The accountant repeated verbally that he did not consider it obligatory to mention contingent liabilities, explaining it was a well known fact that concerns in the particular line of business made a practice of discounting receivables and banks handling that class of paper would be familiar with that fact. He further contended that he was making the audit for the client and had no knowledge that the statement was to be used in support of offerings of single name paper in the open market, and that the officers of the company were fully informed as to the liabilities in question.

The close and friendly relationship between your committee and the committee of the American Institute of Accountants on cooperation with bankers continues to exist, and you will be particularly interested to know that we recently filed with them a list embracing a number of specific criticisms directed against the work of a certain accounting firm, whose name, with the permission of our member, we gave to the committee. We have had an acknowledgment from the chairman but no indication as to what if any action may be taken.

A copy of the report of your committee which was read at the meeting in Washington in June, was sent by your chairman to the chairman of the American

Institute of Accountants' committee and will appear in full in the year-book of that organization now in print.

Respectfully submitted,  
H. E. WHITNEY, *chairman*  
E. E. BARKER  
FRANCIS COATES, JR.  
J. N. EATON  
FREAS B. SNYDER  
G. C. TRUMBULL

### **Metropolitan Controllers Association**

The Metropolitan Controllers Association discussed the relation of the public accountant to the retail-store controller at a meeting held October 26th at the Bankers' club, New York. The discussion was intended to bring out information as to how public accountants and retail-store controllers might work together to better advantage.

Three accounting firms, now members of the Metropolitan Controllers Association, were hosts of the evening—Lybrand, Ross Bros. & Montgomery, Touche, Niven & Company and Homes & Davis. The meeting was addressed by a representative of each of these firms—W. M. Lybrand, John B. Niven and L. Weinstein, respectively.

J. B. Ferguson of London expressed his admiration for American stores and their systems. Ernest Katz, of R. H. Macy & Company, Inc., paid a tribute to the work that public accountants have done in the controllers' congress. Other speakers were A. R. Gluback and P. I. Cathage.

### **New York State Hotel Accountants Association**

A meeting of the auditors' committee appointed by the Hotel Association of New York, was held on October 22nd. The committee has been engaged for some time in devising a uniform system of accounts for hotels. Representatives of the American Institute of Accountants and the New York State Society of Certified Public Accountants were invited to attend this meeting so that the final action of the committee might result in a system alike satisfactory to the hotel accountants and to the practising public accountants. It is expected that as a result of the broad study which has been given to the subject, a chart of accounts and statement forms will soon be submitted to the hotel proprietors which

will be suitable for large or small hotels and will permit of the preparation of comparative statistics by the Hotel Association.

After the morning session a luncheon was tendered to the committee at the Hotel Plaza. At the luncheon the members of the committee decided to form a permanent organization of hotel accountants to be known as the Hotel Accountants Association. An organization was immediately effected and R. H. Browne of the McAlpin Hotel was chosen president. It is proposed to admit public accountants, whose practice includes hotels, to membership in the association.

### **American Institute of Accountants Publications**

The University of Wisconsin has published a classified bibliography of business books which has received the approval of the university authorities. Included in the list are *The Balance-Sheet*, by Charles B. Couchman and *The Duties of the Junior Accountant*, by Reynolds and Thornton.

### **Position of the Accountant in England**

A concise statement of the position an accountant holds in relation to the chief activities of today is made by Sir Josiah C. Stamp in a special article contributed to the *Incorporated Accountants' Journal* in commemoration of the fortieth anniversary of the formation of the Society of Incorporated Accountants and Auditors of England. Relative to the accountant, he said:

"1. We must consider him as an impartial promoter of sound business in its internal aspects, i. e., as standing inside the business.

"2. The exercise of industry itself and the provision of capital for it are two entirely separate functions. Accountancy stands between them as one of the most important go-betweens or essential links.

"3. The accountant in relation to the fiscal system is in a position of profound importance.

"4. The accountant's part in social and industrial relations is of growing importance.

"5. The accountant may be the promoter of exact economic knowledge.

"Many people would add a sixth, viz., the accountant's part in public life as a member of committees and commissions. He makes such a useful cross-section of all industry and business life that he is able to supply a unique and needed ingredient in collective wisdom, and his recent participation

was very well brought out in a recent annual conference, when the position of the accountant in public life was discussed."

This writer also said:

"A wider range of application and recognition has brought about a steadily rising sense of responsibility, guild consciousness, and—partly in self protection, and partly to meet outside expectations—a steadily rising standard of professional skill."

### **National Association of cost Accountants**

The next annual meeting of the National Association of Cost Accountants will be

held at Atlantic City, June 14, 15, 16 and 17, 1926.

### **Farmers Co-operate to Employ Accountant**

Danish farmers have become so convinced of the profit to be gained from farm accounts that they have organized into groups of about fifty farmers, each group to employ a man whose sole business is to look after the keeping and interpretation of the figures.

## **BOARD OF EXAMINERS**

The fall examinations of the American Institute of Accountants were conducted November 12th and 13th. Applicants sat for the written examinations in New York, Chicago, Boston, Philadelphia, Pitts-

burgh and other cities. Approximately 700 candidates for state C. P. A. certificates took the Institute's examinations in various parts of the country.

## **REGIONAL MEETINGS**

### **Chicago**

The tenth regional meeting of the American Institute of Accountants for the district comprising Minnesota, Wisconsin, Illinois, Iowa, Nebraska, Missouri, Kansas and Kentucky will be held at the Drake Hotel, Chicago, Illinois, on Tuesday, November 17, 1925.

#### *Morning Session*

Address of welcome.

General business.

Discussion of the trend of modern accountancy:

William H. West, president of the American Institute of Accountants.

Ernest Reckitt, Chicago.

Arthur Andersen, Chicago.

J. O. McKinsey, Chicago.

Luncheon at one o'clock in the grill room.

#### *Afternoon Session*

Discussion of the principles of inheritance taxes:

F. B. Andrews, Chicago, president of the Illinois Society of Certified Public Accountants.

Hamilton Moses, Chicago.

Discussion of procedure before the board of tax appeals:

Willis D. Nance, Chicago.

Discussion of the relation of the accountant to public service:

Homer S. Pace, chairman of the committee on public affairs of the American Institute of Accountants.

#### *Banquet*

A strictly informal banquet will be held at 6:30 P. M. Dancing will follow.

An invitation is extended to all members of the American Institute of Accountants, the Illinois Society of Certified Public Accountants, and all accountants and others who may be interested. All practising accountants are requested to urge the members of their staffs and friends to attend the meeting.

The registration desk in the lobby outside the terrace of the Drake Hotel will be open at nine o'clock. The registration fee will be \$6.00, which will include the charge for the banquet. Separate tickets for the banquet may be purchased at \$5.00 each.

The local committee will be glad to make hotel reservations upon request. All communications should be addressed to C. R. Whitworth, chairman of the committee on arrangements, 852-10 South LaSalle street, Chicago, Illinois.

### **Indianapolis**

A regional meeting of the Institute will be held at Indianapolis November 16th. The region comprises Indiana, Ohio, West Virginia, Michigan and the western sections of Pennsylvania and New York.

The following programme has been outlined:

## Bulletin of American Institute of Accountants

### Morning

Address of welcome.

Address by A. P. Richardson of New York, secretary of American Institute of Accountants.

Address by George E. Frazer of Chicago.

### Afternoon

Business session.

Address by William H. West of New York, president of American Institute of Accountants.

Address by Stephen G. Rusk of Cleveland.

Address by Homer S. Pace of New York, chairman of the bureau of public affairs of American Institute of Accountants: "Accounting activities respecting tax legislation."

### Evening

Toastmaster—Mr. Walter G. Harding of Indianapolis.

Address by J. S. Y. Ivins of Washington.

Address by Elmer W. Stout of Indianapolis.

Address by Arthur A. Ballantine of New York.  
Dancing

### New Orleans

A regional meeting will be held at New Orleans November 19th, 20th and 21st. This region comprises Texas, Louisiana, Mississippi, Alabama, Tennessee, Arkansas and Oklahoma. The programme of activities for each day which has been outlined is as follows:

#### THURSDAY, NOVEMBER 19, 1925

9:00 to 10:00 A. M. Registration at the Hotel Roosevelt

10:00 A. M. Opening session

Invocation

Addresses of welcome

Hon. Henry Fuqua, governor of Louisiana, on behalf of the state

Hon. Martin Behrman, mayor of the city of New Orleans on behalf of the city

William Pfaff, president, association of commerce of New Or-

leans, on behalf of the business interest of New Orleans

Response

11:00 A. M. Technical paper  
Discussion

12:00 NOON Luncheon

2:00 P. M. Afternoon session

Address, William H. West, president, American Institute of Accountants

2:30 P. M. Round-table discussion

4:00 P. M. Adjournment

6:30 P. M. Dinner (informal) at the Hotel Roosevelt

8:00 P. M. Theatre party

#### FRIDAY, NOVEMBER 20, 1925

10:00 A. M. Address, A. P. Richardson, secretary, American Institute of Accountants

10:30 A. M. Address, Linn H. Dinkins, president, Interstate Trust & Banking Co., New Orleans: "The certified public accountant in his relations to the banker"

11:00 A. M. Address, Arthur Moreno, attorney, New Orleans: "The certified public accountant in his relations to the lawyer"

12:00 NOON Luncheon

2:00 P. M. The Louisiana Society of Certified Public Accountants will be hosts on a boat ride on the steamer *Capital*.

7:00 P. M. Banquet at the Hotel Roosevelt  
Toastmaster, Edward E. Gore

#### SATURDAY, NOVEMBER 21, 1925

10:00 A. M. Address, Edward E. Gore

Round-table discussion

11:00

Business session

Selection of state directors

Selection of time and place of next meeting

The chairman of committee on arrangements is George H. Treadwell, New Orleans. A large attendance of accountants is expected, including both members and non-members of the Institute.

## INSTITUTE CHAPTERS

### Minnesota Chapter of the American Institute of Accountants

The October meeting of the Minnesota chapter of the Institute was held at the Minneapolis Athletic club October 8th.

The meeting was held jointly with the Minnesota Association of Public Accountants and its purpose was the formation of an acquaintance with members of the association who are not members of the Institute and to outline the aims and views of the Institute.

The principal speaker of the evening was

Walter H. Newton, congressman of the district. He spoke on congressional ethics and the probable legislation of the next session.

### Southern Ohio Chapter

A meeting of the directors of the Southern Ohio chapter of the American Institute of Accountants was held on November 3rd. The following officers of the chapter were elected: Ernest A. Roden, president; George R. Lamb, vice-president, and J. D. Cherrington, secretary and treasurer.

## COMMITTEE ACTIVITIES

### Special Committee on Public Affairs

According to present indications letter-bulletin 4, on taxation, will be ready for distribution by the last of this month. Arrangements for the circulation of the new letter-bulletin will be described in a special letter to the membership. Members and associates will be asked to indicate promptly the number of letter-bulletins they will need for distribution.

From the point of view of public service, October was a busy month. The committee has record of 71 members and associates who performed some kind of public service during the month, as compared with 35 in September.

Thirty-six speeches were made during October before audiences totaling approximately 6,000 persons; 21 articles written by members and associates were published; and 48 specific items of public service, for local, public and quasi-public and civic organizations, have been reported.

Among the records of public service that has come to the attention of the committee of late is that of R. C. Lloyd, of New Orleans. Mr. Lloyd reported that, as recommended by the Institute, he joined the New Orleans Association of Commerce, and in the last six months served on three committees of that organization. He has also been reappointed chairman of the arbitration committee of the Society of Louisiana Certified Public Accountants, and has become an associate member of the Arbitration Society of America.

Mr. Lloyd asked the committee to point out to him the particular article or message in which accountants are urged to join chambers of commerce and other public and quasi-public organizations and to take part in public and civic activities. The committee replied to Mr. Lloyd that in addition to the general statements put forward since the organization of the bureau of public affairs, to the effect that it wishes to encourage all members and associates to participate in public affairs, specific recommendation to that effect was given in letter-bulletin 2, on page 2, in the paragraph

which reads: "Your committee believes, as heretofore indicated, that practising accountants not only should have membership in chambers of commerce and other public and quasi-public bodies, but that they should take an active part in the discussion of public questions and in committee work."

Specific recommendation that accountants join and work with civic, business and professional organizations was further given in letter-bulletin 3, in which, on page 2, this statement appeared: "Serve on special and regular committees. Civic, business and professional organizations either have or can create committees to deal with the subject of credit frauds. Whenever practicable, serve on existing committees."

The suggestion of this committee that members and associates of the Institute take an interest in the work of chambers of commerce and give their assistance to the undertakings of those bodies in ways in which they are best qualified to serve found a ready response in the New Orleans Association of Commerce, with the result that many accountants of that city are assisting that body in its public-service undertakings.

The association has made the attitude of the Institute the basis of recommendations to the Chamber of Commerce of the United States that other professions be urged to encourage their practitioners to interest themselves in public-service work through their local business-men's organizations. The committee on public affairs reiterates its wish that members and associates of the Institute in all parts of the country become actively engaged in the work of their local, civic and commercial organizations and that reports of participation in such activities be sent by the members and associates to the committee.

In the October number of the *Bulletin*, the report of the committee gave figures as to the number of members and associates of the Institute who have indicated that they are participating in chamber-of-commerce work. Records are also being kept of the memberships held in other organizations by members and associates of the Institute.



Several hundred copies of letter-bulletin 3 on credit frauds were circulated during the month. Ten copies went to Rio de Janeiro, Brazil, at the request of a firm of exporters. Several members requested their allotment of fifty copies, and there were thirty requests from individuals and firms arising from notices relative to the letter-bulletin in various trade publications.

A. A. Garrett, secretary of the Society of Incorporated Accountants and Auditors in England, commenting on letter-bulletin 3 on credit frauds wrote, in part; "I have perused this and noted with pleasure the accurate and well-informed reference to the position of the profession of accountancy in this country." In a brief review of the

letter-bulletin published in the *Incorporated Accountants' Journal*, the author said:

"There appears to be a wide movement in the United States of America to infuse into public and business affairs a high moral standard, and the bureau of public affairs of the American Institute has been charged with the duty of bringing before the public by investigation and publicity practical directions in which improvements may be effected. It is interesting to note that the bulletin has received the commendation of Mr. A. W. Mellon, secretary of the treasury. In regard to bankruptcy the bureau urges the appointment of an accountant as trustee in the administration of bankrupt estates, and point out the advantage which England has derived from this practice. There is a complaint that in America the costs of winding up bankrupt estates are too high. . . . We trust the work of the bureau of public affairs of the American Institute will meet with public support in the United States."

## LOCAL SOCIETIES

### **Buffalo Chapter of the New York State Society of Certified Public Accountants**

The Buffalo chapter of the New York State Society of Certified Public Accountants held its first meeting of the fall season on October 27th. A committee of three members was appointed for the purpose of arranging an informal dinner meeting to which all local accountants and lawyers interested in the administration of income-tax laws might be invited. It is planned to hold this meeting on December 12th. A committee was also appointed to outline and perfect plans for the general activities of the chapter throughout the coming season. The second meeting of the Buffalo chapter was held November 10th at the Buffalo Athletic Club. E. C. Gruen, chairman of the committee on arrangements for the dinner meeting, presented a detailed report.

### **Georgia Society of Certified Public Accountants**

A special meeting of the Georgia Society of Certified Public Accountants was held on Saturday, November 7th. The meeting was called for the purpose of considering the drafting of new constitution and by-laws of the society, and acting upon a report of the nominating committee for officers for the ensuing year.

### **Illinois Society of Certified Public Accountants**

The Illinois Society of Certified Public Accountants has published the year-book of the society for 1925. The year-book contains a list of past and present officers, committees, a financial statement, report of president, list of members, constitution and by-laws and rules of professional conduct. In his report as president, George E. Frazer stressed the following incidents in the activities of the year: Formation of an advisory committee composed of past presidents; opposition of the society to recent accountancy legislation in Illinois; strict enforcement of the code of ethics of the society; the award of prizes for distinction in C. P. A. examinations; work of the committee on public affairs, and coöperation with the American Institute of Accountants and other societies.

### **Maryland Association of Certified Public Accountants**

The Maryland Association of Certified Public Accountants has recently published a pamphlet addressed to bankers and the business public. A brief introduction states that the purpose of this publication is to induce closer coöperation with bankers and other professional men whose activities entail relations with accountants. A brief outline of the services which a certified

public accountant may render is included in the introduction, which is here quoted:

*"To Bankers and the Business Public:*

"The members of the Maryland Association of Certified Public Accountants are desirous of establishing a better coöperation with bankers and with other professions interested in the business affairs of this community.

"With this purpose in view it is considered advisable to publish certain facts, which, in the opinion of the association, will be informative to the reader and will assist in the establishment of a closer relationship between bankers, et al., and certified public accountants.

"In order that a client of a bank may secure new bank loans, extensions of credit, etc., it is desirable that a recent statement of financial condition together with a statement of earnings for a given period shall be submitted to the banker. The completeness and accuracy of these statements is of vital importance to the banker in making loans.

"Statements in agreement with the books may be presented to the bank and yet the results shown thereby may be incorrect and misleading. Conditions generally, and accounting procedure in particular, among industrial concerns, are not in every instance all that could be desired. There are many business concerns, also, that have yet to appreciate the advantages and protection accruing to themselves as well as to their bank from periodical audits and constructive criticisms made by certified public accountants.

"Financial statements and reports made by certified public accountants reflect an impartial analysis free from prejudice. They provide a sense of assurance to the banker, and largely reduce the element of doubt. Certified reports are usually an acceptable basis for the consideration of credit and they expedite decisions in relation thereto."

A synopsis of the C. P. A. law of Maryland follows the introduction. A list of members, classified as individuals and as firms, is also contained in the booklet.

### **Massachusetts Society of Certified Public Accountants**

The Massachusetts Society of Certified Public Accountants, Inc., held its October meeting in the new chamber of commerce building on Monday, October 26th. A dinner was served at 6 P. M. followed by the speaking at 7:00 o'clock. About eighty members and guests were present. The principal speaker of the evening was Kingman Brewster, of Washington, D. C. Referring to the coördination of the legal and accounting professions in cases before the United States board of tax appeals, Mr. Brewster said in part:

"As professional men our first duty is to our client. My own profession is—like yours—one of

long standing and experience out of which have been developed honored traditions and precedents much revered. However, the law of federal taxation, such as we have come to know it under the sixteenth amendment, is a comparatively new branch of the legal field. To anyone who has made a study or a specialty thereof, it is apparent that there is no branch of the law in which a wider application of the principles of substantive law is involved than in income-tax cases. One's responsibility to his client, therefore, of necessity, makes the requirement of some familiarity with the whole field of common law, a condition precedent to such practice. While it is invaluable, however, for a lawyer to appreciate the fundamental principles of accounting, life is too short, days are too full for a single mind to comprehend with any degree of accuracy and, in my opinion, of success the detailed requirements of more than a single profession. Accordingly, to my mind, in the handling of tax cases whether before the administrative body of the bureau of internal revenue or before the quasi-judicial body of the board of tax appeals, there are two dependent functions to be performed if the taxpayer's rights are to be most adequately protected, namely, the task of assembling, classifying and correlating the detailed evidence; in other words, the function of the expert witness, familiar with detailed facts of the case, and second, the duty of presenting those facts in a consecutive logically arranged order and in an instructive manner, namely the task of the advocate. Lawyers can not as easily and adequately assemble the evidence in a tax case as can accountants, not can accountants be as readily versed in the rules of advocacy, nor in my humble opinion, can either alone do full justice to their task in this specialized field of federal taxation."

The executive committee of the Massachusetts society has announced the election of the following members to the society: Gertrude Lyndon Briggs, Alice M. Hill, Frank J. Langley and W. Webster McCann.

The committees of the society for the ensuing year are as follows:

#### *Meetings*

C. Oliver Wellington, *Chairman*  
J. Hugh Jackson  
George S. Clarkson

#### *Legislation*

J. Edward Masters, *Chairman*  
Elbridge A. Bollong  
Arthur L. Risley

#### *Publicity*

Charles F. Rittenhouse, *Chairman*  
Edward J. McDevitt, Jr.  
Norman H. S. Vincent

#### *Education*

J. Hugh Jackson, *Chairman*  
Walter B. Gibson  
Walter J. Goggin

## Bulletin of American Institute of Accountants

### SPECIAL COMMITTEES

#### *Membership*

Frederick Bond Cherrington, *Chairman*  
James J. Fox  
Ernest R. Kittredge

#### *By-Laws*

Walter L. Boyden, *Chairman*  
Hazen P. Philbrick  
Francis H. E. Walter

#### *Golf*

Raymond D. Willard, *Chairman*  
Henry W. Robbins  
Harvard L. Mann  
*Committee on Massachusetts Corporation*

#### *Excise-Tax Law*

J. Chester Crandell, *Chairman*  
George L. Bishop  
Frederick Bond Cherrington  
Frederick M. Kehn  
Raymond D. Willard

The special committee on the Massachusetts excise-tax law under date of October 6th issued the following circular letter to members of the society.

#### MASSACHUSETTS CORPORATION EXCISE TAX IMMEDIATE ACTION NECESSARY

"This committee, appointed under authority of a vote of the society on September 28th, has taken appropriate action to bring to the attention of the supreme judicial court of the commonwealth the great importance of an early as well as an inclusive decision in the pending W. & J. Sloane case, to the end that, if possible, it may be known prior to November 4th whether the decision of the supreme court of the United States in the Alpha Portland Cement Company case decided May 4, 1925, rendered null and void the Massachusetts corporation excise-tax law (sections 30 to 51 of chapter 63 of the general laws) relating to both domestic and foreign corporations.

"Many members of the legal profession expect that the decision will uphold the present law, and if their expectations are realized and such a decision is rendered before the end of October, no action by taxpayers will be necessary.

"A contra decision, however, will render operative section 52 of chapter 63 of the general laws, which reads as follows:

"If the excise imposed by section 32 on domestic business corporations, or that imposed by section 39 on foreign corporations, is declared unconstitutional by a final judgment, order or decree of the United States supreme court or the supreme judicial court of the commonwealth, sections 30 to 51, inclusive, shall be null and void, and all laws repealed or made inoperative by chapter 355 of the general acts of 1919 shall thereupon be revived and continued in full force and effect as if the said chapter had not been enacted. In such case the commissioner and local assessors shall forthwith assess all taxes that had become due under such prior laws, and the time for making any assessment or performing any other duty imposed or privilege granted by such laws shall

be extended for a period of six months after the date when they are thus determined to be in force, and the time within which corporations may apply by petition to the supreme judicial court under section 77 for the abatement of the excise imposed by section 32, or of that imposed by section 39, shall be extended for the same period. If any part, section or subdivision of said sections thirty to fifty-one, inclusive, other than the provisions in sections thirty-two and thirty-nine imposing an excise, shall be declared unconstitutional, the validity of the remaining parts of said sections thirty to fifty-one, inclusive, shall not be affected thereby."

"If such a contra decision is rendered prior to November 4th, or in case the decision is deferred beyond that date, it is our understanding that the commissioner of corporations and taxation will assess before November 4th all domestic and all foreign corporations for excise taxes covering the years 1920 to 1925 inclusive, under the provisions of the corporation excise-tax law which was in effect in 1919.

"In view of the provisions of section 52 quoted above, and the intent of the commissioner mentioned in the preceding paragraph, if a contra decision is rendered prior to say October 31st, or in case the decision is deferred beyond that date, the only safe course to be followed by a domestic or a foreign corporation which has paid a tax to Massachusetts under the present law during the period from 1920 to 1925, inclusive, is to bring suit as provided by section 52.

"Clients should therefore be immediately informed of this situation and advised to arrange with counsel to be prepared to begin proceedings should this prove necessary. Among the facts which should be recited in the petition are the amounts paid (taking into consideration both original and additional assessments, abatements and refunds, if any), under the present law, in the years 1920 to 1925, inclusive, and the dates of the several payments.

"If the tax for the year 1925 has not been paid prior to the date of starting proceedings under section 52, a subsequent suit may be brought under section 77 on account of the 1925 tax within six months of the date of ultimate payment.

"Counsel consulted by the committee have reviewed this letter and agree with the advice herein contained. The committee will advise the members if further developments come to its attention which in any way indicate a desirable modification of the action recommended."

J. CHESTER CRANDELL, *Chairman*.  
GEORGE L. BISHOP,  
RAYMOND D. WILLARD,

### Michigan Association of Certified Public Accountants

The following committees of the Michigan Association of Certified Public Accountants have been appointed for the ensuing year:

#### *Publicity and education*

C. N. Bullock, *Chairman*  
R. B. Weeks  
D. W. Springer

**Programme**

Robert Davidson, *Chairman*  
Francis E. Ross  
Carl H. Seehoffer

**Membership**

C. Earle Neff, *Chairman*  
G. F. Blanchard  
John W. Hall  
Geo. R. Gibbs  
Frank G. Widger

**Arrangements**

W. H. Van Tiffin, *Chairman*  
Edw. M. Stradley  
Miles L. Wyman

**Legislative**

D. W. Springer, *Chairman*  
Fred W. Morton  
Wylie T. Lyon

**Ethics**

F. A. Tilton, *Chairman*  
David Smith  
A. W. Ehrman  
E. T. Ashman  
Thomas H. Evans

The regular meetings of the association are to be held on the first Thursday in the months of January, April, July and October. At the last meeting of the directors it was resolved that the first three of these meetings should be open meetings to which members might bring friends, clients or members of their staffs.

**Mississippi Society of Certified Public Accountants**

The regular annual meeting of the Mississippi Society of Certified Public Accountants will be held on Monday, November 16th in Jackson, Mississippi. The meeting will be called to order at two o'clock in the rooms of the chamber of commerce. As usual no set programme has been arranged, and each member is expected to bring before the meeting such things as he believes will be of benefit and of interest to the society.

**Society of Certified Public Accountants of New Jersey**

The Society of Certified Public Accountants of New Jersey held a meeting on October 13th. The question of registration and regulation was discussed, but no definite action was taken.

**New York State Society of Certified Public Accountants**

The New York State Society of Certified Public Accountants conducted its third all-day and evening conference at the

Waldorf-Astoria hotel, October 14th, with Homer S. Pace, president, in the chair. Mr. Pace spoke of the excellent work that has been accomplished by the many technical committees of the society. He mentioned the opening of the new offices and committee room of the society as one of the forward steps taken during the year. Provision was made for a slight increase in dues. The members endorsed the work of the committee on taxation and referred it to the board of directors with power to act. Reports of the board of directors and of the legislation committee were presented and approved.

J. Gilmer Korner, chairman of the United States board of tax appeals, addressed the members at the afternoon session advocating close coöperation between accountants and attorneys in cases to be presented before the board of tax appeals. He gave figures to show that the board has so conducted its business that cases are heard within from three to four months of the time that the issue is joined. The address was published in the *Journal of Accountancy* for November, 1925.

Seth T. Cole, deputy state tax commissioner of New York, spoke on reciprocal inheritance-tax legislation. He pointed out that very few states have seen fit to confine themselves to taxing tangible personal and real property, but have shown a tendency to reach out and tax the non-resident in every way possible, including the taxation of intangible personal property.

Francis A. Winslow, judge of the United States district court for the southern district of New York, addressed the members at the evening session. His speech was followed by discussion. Plans were made for a continuance of the work of the technical committees.

The society held its regular monthly meeting November 9, 1925, at the Waldorf-Astoria hotel, New York. An address was delivered by Harold Dudley Greeley on "Evidence in practice before the board of tax appeals." The address was followed by an informal discussion led by J. Marvin Haynes, of Washington, D. C.

**Ohio Society of Certified Public Accountants**

The annual meeting of the Ohio Society of Certified Public Accountants was held

October 24th at Toledo. Election of officers for the ensuing year resulted as follows: C. A. Gano, president; W. D. Wall, vice-president, and L. G. Battelle, secretary-treasurer. The directors named are R. A. Hurst, W. Coy, W. E. Langdon, and Ralph Mateer.

At the morning session E. F. Gleason of the Ohio Savings Bank & Trust Company, spoke on, "The mind behind the pen." In the afternoon, W. J. Donkel of the Kent-Owens Machine Company, discussed "Daily problems in a manager's office." Professor William A. Paton, of the University of Michigan, addressed the meeting on "Conceptions of operating expenses." The meeting was followed by a banquet.

### **Pennsylvania Institute of Certified Public Accountants**

A meeting of the Pennsylvania Institute of Certified Public Accountants was held at the Manufacturers' club, Philadelphia, on October 19th. About fifty members attended. When the regular business routine, including the election of new members to the Institute was concluded, an address was delivered by I. D. Carson, on, "The advertising budget." Upon completion of the discourse Major Carson was given a rising vote of thanks.

A programme of meetings for 1925 and 1926 has been drawn up by the committee on arrangements. The subject of the address which will be delivered at each meeting is given after the date. The plan as outlined is as follows:

October 19, 1925. Regular business meeting  
Address on the advertising budget

November 18, 1925. Banquet  
December 16, 1925. Address on building and loan associations  
January 18, 1926. Regular business meeting  
Address on insurance  
February 17, 1926. Address on Pennsylvania capital stock, bonus and loans taxes  
March 24, 1926. Address on practical application of budgets  
April 19, 1926. Regular business meeting  
Annual election of officers  
Discussion of mergers of banks and trust companies  
May 19, 1926. Address on federal and state inheritance taxes  
July 19, 1926. Regular business meeting

### **South Carolina Association of Public Accountants**

The South Carolina Association of Public Accountants held a two-day meeting October 20th and 21st. The election of officers resulted as follows: O. P. Burke, president; Oscar W. Schleeter, vice-president, and N. E. Derrick, secretary and treasurer. L. L. Wilkinson, secretary of the state board of examiners of public accountants, was selected for recommendation to Governor McLeod for re-appointment. Reports were received from the following committee chairmen: N. E. Derrick, committee on publicity; George E. Olson, committee on education; A. C. Clarkson, committee on the constitution; H. S. Blanton, programme committee, and L. A. Searson, legislative committee.

The final session of the meeting was open to all public accountants of the state. The speakers were Governor McLeod, Major John J. Jones, W. R. Bradley, J. Pope Matthews, and John M. Palm. The convention closed with a banquet on the evening of October 21st.

### **HERE AND THERE**

Barrow, Wade, Guthrie & Co., New York, announce the opening of new offices in Berlin, Hamburg, Paris and Antwerp.

Harold H. Bechtel announces the removal of his office to room 841, Boston Chamber of Commerce building, 80 Federal street, Boston, Massachusetts.

Edwin F. Chinlund, 41 Broad street, New York, has withdrawn from partnership in the firm of Arthur Andersen & Co. to

take the position of comptroller in the International Telephone and Telegraph Corporation.

Price, Waterhouse & Co. announce the establishment of an office at 816 Lathrop building, Kansas City, Missouri. D. B. Peter, who has been with the firm in St. Louis, and Smith, Abel & Wright, of the firm heretofore practising under that style, will be associated in the conduct of the practice.

William Dillon of Boston has been reappointed a member of the finance committee of the Boston Chamber of Commerce, on which he has served for sixteen years.

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Frank L. Hammond of Birmingham spoke on budgeting at the annual meeting of the Alabama Society of Certified Public Accountants, held September 8th.

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John J. Helmus, New York, delivered an address on partnership accounting before the New York Society of Accountants, at the Hotel McAlpin, September 15th. From May 16th to May 30th, Mr. Helmus performed active duty as captain of the Finance Officers' Reserve Corps, U. S. A., at the army base, Brooklyn, New York.

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Joel Hunter of Atlanta addressed the Georgia Field Agent's Club of the Mutual Life Insurance Company of New York, August 15th, on the death duties in an estate of \$150,000.

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Wayne Kendrick, Washington, D. C., is a member of the municipal finance and public utilities committees of the Washington board of trade. During September Mr. Kendrick lectured at the Washington School of Accountancy.

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A. D. Lewis of Casper, Wyoming, is secretary-treasurer of the Casper Lions' Club.

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Arthur M. Loomis addressed the Los Angeles chapter of the National Association of Cost Accountants, September 15th, on factors in the design of a cost system.

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John T. Madden addressed the Pennsylvania Electric Association at Bedford Springs, Pennsylvania, September 11th,

on the accountant's place in public-utility operations.

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Henry A. Niles of New York is the co-author of a technical pamphlet issued by Niles & Niles entitled "Review of Published Statistics."

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Homer S. Pace was the author of an article, "Accountancy as a profession," which appeared in the *New York Sun*, September 5th.

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Fletcher Ruark of Montreal has acted as chairman of several meetings in connection with civic and moral uplift matters.

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C. H. Scovell, Boston member of the Institute, and president of the National Association of Cost Accountants, addressed the Syracuse chapter of that association, September 16th, on debatable points in cost accounting. On September 22nd and 23rd, respectively, he addressed the Milwaukee and Twin Cities chapters of that organization, on analysis, distribution and application of burden.

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Henry L. Seidman, New York, addressed the New York Society of Accountants at a meeting held September 29th on the interpretation of comparative statements.

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Charles L. Talbot is vice-president of the Boston Chapter of the National Association of Cost Accountants, and presided at the first meeting of the season in Boston, September 24th.

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A bibliography of books on business economics published by the Dixie Business Book Shop, Inc., contains a paragraph in praise of the *Accountants' Index*, which was compiled by Louise S. Miltmore, librarian of the American Institute of Accountants.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

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NOVEMBER 15, 1925

SERIES B, No. 19

### Next Annual Meeting of the Institute

The executive committee has given prolonged consideration to the place of annual meeting for 1926. Invitations have been received from many parts of the country and some of these invitations have been most warmly endorsed by members of the Institute. The committee desired to comply with the wishes expressed by the greatest number of members.

The general opinion seemed to favor Atlantic City and accordingly that has been selected. Following selection of place of meeting the two committees, whose personnel naturally depends somewhat upon the district in which the meeting will be held, were appointed.

The president of the Institute has appointed the following committees:

*Meetings:* Will- A. Clader, *chairman*, Pennsylvania

Theodore A. Crane, New Jersey

G. Harvey Porter, Maryland

*Credentials:* Ernest E. Wooden, *chairman*, Maryland

C. F. Bridewell, New Jersey

Stanley Spurrier, Kansas

### Tax-Law Amendment

Edward E. Gore, Chicago, and Lewis G. Fisher, Providence, of the special committee on taxation of the American Institute of Accountants appeared before the ways and means committee of the house of representatives, Wednesday, October 28th, and presented suggestions as to desirable amendments to the federal income-tax law and regulations from an administrative point of view. The following is quoted from the official record of the hearings:

STATEMENT OF MR. EDWARD E. GORE, OF CHICAGO, ILL., REPRESENTING THE AMERICAN INSTITUTE OF ACCOUNTANTS

The CHAIRMAN. The next witness is Mr. Edward E. Gore, of Chicago, representing the American Institute of Accountants.

Mr. GORE. Mr. Chairman, I represent the American Institute of Accountants, which is a national organization of practising public accountants of some 2,000 members.

We address ourselves to questions of administration solely. We believe you will hear enough on the other subjects from other people. But on questions of administration we believe we speak with some authority, for the reason that it is our business to know, on behalf of our clients, representing them, about how the revenue law is administered. We are in daily contact with the administration of the law, so we believe the suggestions we are to make are worthy of respect, or respectful consideration. In our opinion, of course, we think they ought to be enacted into law.

The first matter I would like to call to your attention has to do with section 900, providing for the creation of a board of tax appeals.

We have found the board of tax appeals to be a very useful instrumentality, and we have found it to be composed of men who are intent upon doing their full duty by the government and by the taxpayer.

We believe that the institution of that board was the outstanding achievement of the 1924 act. As I understand it, the proportion of findings in favor of the taxpayer has been sufficiently high thoroughly to justify all the representations that were made on behalf of the taxpayer, and it has been proven that nearly half the time the commissioner has been wrong in his conclusions.

We would have section 900 amended to extend the jurisdiction of the board. That jurisdiction, as you undoubtedly know, has been confined to the questions arising in the administration of the law after June 2, 1924, when the act went into effect.

The greatest need there was for a board of tax appeals or for a board that was independent and skilled in knowledge of and administration of the tax law, was to cure the defects and deficiencies that arose out of the hurried administration of the act during the war.

Those issues were represented in matters before the commissioner long before the act of 1924 was passed. They should have come under review.

quet was attended by approximately two hundred members and guests.

### **Canadian Society of Cost Accountants**

A regular meeting of the Canadian Society of Cost Accountants was held at the Hotel Mossop, Toronto. The speakers were William Carswell, president of the society, whose subject was "Cost statistics in relation to sales," and W. J. Dunlop, director of university extension, who outlined the work of his department.

### **American Association of University Instructors in Accounting**

A meeting of the American Association of University Instructors in Accounting will be held December 29th and 30th at the Hotel McAlpin, New York. The following programme has been prepared:

#### **TUESDAY, DECEMBER 29**

##### **9.30 A.M. First Session**

General topic: Moot points of accounting theory.

This session has been organized by Hiram T. Scoville, professor of accounting, University of Illinois and past president of the

A. A. U. I. A., who will have charge of the programme.

Special paper: Some recreations of an accountant.

Presented by Henry Rand Hatfield, professor of accounting, University of California.

##### **2.30 P.M. Second Session**

General topics: Research in accounting.

This session has been organized by John R. Wildman of Haskins & Sells and past president of the A. A. U. I. A., who will have charge of the programme.

##### **6.30 P.M. Third Session**

Annual banquet.

The evening is left open so that those desiring to do so may attend the opera or the theatre.

#### **WEDNESDAY, DECEMBER 30**

##### **9.30 A.M. Fourth Session**

General topic: Relations with other professional accounting societies.

This session has been organized by John T. Madden, dean of the school of commerce, accounts and finance, New York University, and past president of the A. A. U. I. A., who will have charge of the programme.

##### **1.30 P.M. Fifth Session**

General topic: Trends in accounting education.

This topic has been organized by David Himmelblau, professor of accounting, Northwestern University, who will have charge of the programme.

Business session: Reports of committees, election of officers, etc.

### **BOARD OF EXAMINERS**

The examiners have recently finished their work of marking the papers of the candidates who sat for the November examinations, and reports have been sent to the boards of accountancy of states which coöperated. Further information will be published in the next issue of the *Bulletin*. The following states and territories coöperated with the Institute in the November examinations:

Alabama	Missouri
Arizona	Montana
Arkansas	Nebraska
California	New Hampshire

Colorado	New Mexico
Delaware	North Dakota
Florida	Oregon
Hawaii	Rhode Island
Idaho	South Carolina
Indiana	South Dakota
Iowa	Texas
Kansas	Utah
Louisiana	Vermont
Minnesota	Washington
Mississippi	Wyoming

Several states which usually coöperate did not hold examinations at this time.

### **REGIONAL MEETINGS**

Regional meetings and one meeting which resulted in the formation of a new region were held during November at Indianapolis, Indiana; Chicago, Illinois; New Orleans, Louisiana, and Atlanta, Georgia. At all of these meetings an active interest in the work and plans of the Institute and in the solution of current accountancy problems was in evidence and enthusiasm was displayed over the progress that is

being made in widening the field of professional accountancy. President William H. West and the secretary of the Institute attended all four meetings. Mr. West spoke constructively to the four large assemblages of accountants and business men, expressing his appreciation of the splendid support that members and associates of the Institute are everywhere giving the programme of the Institute,



and urging them to still greater efforts. The work of the committee on public affairs and of the bureau which is operated under its direction was commended and reports were made as to the progress of the committee on financing the bureau of public affairs.

### **Indianapolis**

Under the direction of a committee headed by George S. Olive, the Indianapolis regional meeting on November 16th presented three instructive sessions. Governor Jackson welcomed the delegates, laying emphasis on the importance of the accountancy profession, which he said is growing in recognition as business increases in volume and becomes more complex. The secretary of the Institute described many of the activities of the organization.

Arthur A. Ballantine of New York, formerly solicitor of internal revenue spoke on income accounting and income taxation. He said that deflation of taxes is as important as deflation of business and should be accomplished speedily. He paid tribute to the work that is being done by the United States board of tax appeals.

William H. West, president of the Institute spoke on "The Institute" and laid special emphasis on the operations of the library and bureau of information.

J. S. Y. Ivins of Washington, formerly a member of the United States board of tax appeals, described the work of that body. George E. Frazer of Chicago spoke on valuation for tax purposes and described the most modern methods. Homer S. Pace, New York, reviewed the work of the committee on public affairs of which he is chairman and described the policies which the committee is carrying out.

Walter B. Harding of Indianapolis was toastmaster at the dinner. Elmer W. Stout, president of the Fletcher-American National Bank, spoke on what congress should do with the board of tax appeals. Messrs. Ivins and Pace also spoke at the dinner.

The Indiana Society of Certified Public Accountants coöperated with the local committee of the Institute in arranging for the meeting. Dancing followed the dinner.

Cleveland was chosen as the place for the next regional meeting to be held in May, 1926.

### **Chicago**

Accountants from ten of the mid-western states were in attendance at the meeting, November 17th, at the Drake hotel. Francis R. Roberts presided. Honorable Francis X. Busch, corporation counsel of Chicago, welcomed the delegates. Minneapolis was chosen for the next meeting of this region on a date in May, 1926, to be decided later.

The trend of modern accountancy was discussed by President West and by Ernest Reckitt, Arthur Andersen and J. O. McKinsey of Chicago. Homer S. Pace spoke briefly on the work of the committee on public affairs. Following luncheon, F. B. Andrews of Chicago discussed the principles of inheritance taxes; Nathaniel Seefurth of Chicago spoke on the valuation of securities for inheritance-tax purposes and Willis D. Nance of Chicago spoke on procedure before the board of tax appeals. George E. Frazer of Chicago was toastmaster for the dinner; President West spoke on the Institute; Colonel George T. Buckingham of Chicago on power; Dr. G. W. Dyer of Vanderbilt university, Nashville, Tennessee, on economics; and the secretary, A. P. Richardson, on the purposes of the Institute.

### **New Orleans**

The first regional meeting of the southwestern district of the American Institute of Accountants was held at New Orleans, November 19, 20, and 21, 1925. The states comprised within this region were formerly considered as part of the mid-west region, but were formally separated from that region by action at the meeting held at Dallas, Texas, in May, 1925. The meeting was held at the Hotel Roosevelt. The first session on November 19th was opened by an invocation by Rev. Arthur Price.

Addresses of welcome were given by the Hon. O. H. Simpson, lieutenant-governor, on behalf of the state of Louisiana; Martin Behrman, mayor of the city of New Orleans, and William Pfaff, president of the association of commerce, representing the business interests of the city. The addresses of welcome were followed by a paper entitled, *The next step forward*, by Loyd B. Smith. The discussion was led by George A. Treadwell. At noon the meeting

adjourned for lunch, and visitors were entertained as the guests of the local accountants.

At the afternoon session William H. West, president of the Institute, addressed the meeting on the subject of the Institute, and his remarks were followed by a general discussion. Henry J. Miller, president of the Society of Louisiana Certified Public Accountants, described the work and purposes of that society, and A. E. Delaune, president of the Associated Accountants of New Orleans, reviewed the accomplishments of his organization. An informal dinner took place at the hotel, and was followed by a theatre party.

At the meeting on Friday, November 20th, the secretary of the Institute spoke upon the responsibilities of members of the organization. Lynn H. Dinkins read a paper entitled, *The certified public accountant in his relations to the banker*. This was followed by an address by Walter J. Suthon entitled, *The certified public accountant in his relations to the lawyer*. After luncheon the accountants and guests were taken on a boat trip on the Mississippi above and below the city by the Louisiana Society of Certified Public Accountants. In the evening a banquet was held at the Hotel Roosevelt. The speakers were the toastmaster, George A. Treadwell, William H. West, Loyd B. Smith, Ernest Reckitt, A. P. Richardson, and others.

At the meeting on Saturday, November 21st, Ernest Reckitt read a paper entitled, *The trend of modern accountancy*. This was followed by discussion. After consideration of invitations for the next meeting of the region, it was resolved that the place be Jackson, Mississippi, and that the meeting should be held in May, 1926. The committee in charge of the arrangements is under the chairmanship of W. Q. Sharp. Upon motion by Elkin Moses, it was

resolved that a regional club should be formed to assist in the conduct, and if necessary in the financing, of regional meetings in the district. Elmer L. Hatter addressed the meeting on the work of the board of examiners. The meeting adjourned at noon.

### Atlanta

A meeting of accountants practising in and about Atlanta, Georgia, was held at the Atlanta Biltmore, Monday, November 26, 1925. Between eighty and ninety men were present to welcome the president and other representatives of the American Institute of Accountants. The toastmaster was Joel Hunter. Addresses were delivered by William H. West, president of the Institute; Colonel F. J. Paxon, representing the business men of Atlanta; Robert Strickland, vice-president of the Fourth National Bank; A. P. Richardson, secretary of the Institute; Elmer L. Hatter, of the board of examiners of the Institute; Professor A. F. Owen, of the accountancy department of Emory university, and Professor T. W. Noel, of the Georgia school of technology.

Following the addresses of the president and secretary of the Institute a motion was unanimously adopted that the accountants present form a southeastern district, and arrange to hold the first regional meeting of the district at Atlanta during the month of April next. The following committee has been appointed: William H. James, Atlanta, chairman; M. H. Barnes, George M. Clark, R. H. Eaton, Joel Hunter, Walter Mucklow, J. L. Respass, W. C. Rion, J. R. Robison, F. H. Smith, J. W. Todd, and J. E. Wilson. It was resolved that accountants in the following states should be asked to take part in the next meeting: North Carolina, South Carolina, Georgia, Florida, Alabama, and the eastern section of Tennessee.

## INSTITUTE CHAPTERS

### Minnesota Chapter

A meeting of the Minnesota chapter was held November 12th at the Minneapolis Athletic club. As guests of the chapter there were present the credit men of the principal Minneapolis banks. R. W. Manuel delivered an address on methods of

weighting credits as proposed by the Robert Morris Associates. The talk was followed by a round-table discussion. E. L. Mattson spoke on accountants' reports, with particular reference to credit. Mr. Mattson brought up the question of certificates and his conception of the duties of accountants in their relations with

bankers. A. F. Wagner responded to Mr. Mattson's talk from the accountant's viewpoint and answered a number of the speaker's objections, explaining wherein it is not always possible for an accountant to make a sufficiently complete audit to give the bankers all the information desired. He stressed the point that accountants often are not informed of the particular purpose for which their report is to be used—whether for credit purposes or otherwise. As a result of these speeches and the open discussion that followed, a committee on relations with the banker was appointed by the chapter. The committee consists of A. F. Wagner, chairman, J. A. Boulay and William Bechert. The meeting also decided that the chapter prepare for distribution in the state a roster of its members and of the C. P. A.'s practising in Minnesota.

### **Northern Ohio Chapter**

The annual meeting of the Northern Ohio chapter was held October 24th with the largest attendance of any meeting the

chapter has had. An address by H. I. Shepard of Cleveland was received with great appreciation. The following directors were elected: Lewis Wintermute, F. C. Brubaker, H. E. Murray, Hugh L. Patch, R. A. Hurst. At a subsequent meeting of directors the following officers were elected: President, H. E. Murray; vice-president, Hugh L. Patch; secretary-treasurer, Lewis Wintermute. The meeting resolved to present an invitation to hold the regional meeting of the spring of 1926 in Cleveland, under the auspices of the Northern Ohio chapter. It was also decided that the chapter hereafter should hold regular monthly meetings in Cleveland, to which the members are at liberty to invite guests. At a meeting of the board of directors on October 29th various committees were appointed and the policies for the ensuing year were formulated. The directors contemplate circularizing the territory of the chapter with letter-bulletins issued by the bureau of public affairs of the Institute as was done with letter-bulletin 3.

## **COMMITTEE ACTIVITIES**

### **Committee on Constitution and By-laws**

The committee on constitution and by-laws of the Institute has prepared a codification of the constitution and by-laws which is intended to eliminate unnecessary repetition, and to simplify the entire code by including in the same article subjects which now are mentioned in both constitution and by-laws. The phraseology has been changed as little as possible. Compactness, clarity and logical arrangement have been the objectives of the committee, rather than any revision or addition to the sense of the matter. With a covering letter dated November 20th, copies of this codification have been sent to each member and associate of the Institute, and suggestions or criticisms will be welcomed by the committee. Several comments have already been received.

### **Special Committee on Public Affairs**

Letter-bulletin 5, in the series being issued by the committee on public affairs, will probably have arbitration as its subject.

It will be designed to present the many important developments in this field during the eighteen months that have elapsed since the publication of the first letter-bulletin on that subject.

In expressing his approval of the plan to discuss arbitration in the next letter-bulletin of the series, the vice-chairman, C. Oliver Wellington, said: "I cordially approve of the plan of having No. 5 on arbitration. I think this subject is particularly important, and the letter-bulletin should have a wide circulation among accountants and business men, as at the present time very few seem to appreciate the real significance of this movement and the possibilities under the present laws."

Edwin H. Wagner, of St. Louis, a member of this committee, wrote: "With respect to letter-bulletin No. 5, I believe, if we are going to publish a bulletin on the subject of commercial arbitration, that this bulletin should be gotten under way immediately, as the psychological period for its circulation will be, as you say, immediately after January 1st, when the new law goes into effect."

S. D. Leidesdorf, of New York, a member of this committee, wrote: "I agree with you that it would be advantageous to publish a letter-bulletin on commercial arbitration, and there can be no doubt that the issuance of letter-bulletin No. 5 on this subject the first of the year when the new federal arbitration law becomes effective would be most opportune."

Requisition blanks for letter-bulletin 5 will be sent out late in the month.

Circulation of letter-bulletin 4 on tax simplification has begun, and the greater part of it should be completed in a fortnight. Through the requisition blanks sent out by the committee to Institute members, requests were received promptly and are being filled in the order of their receipt. The letter-bulletin appears at the time when this subject is before congress. A limited edition has been printed. Members and associates of the American Institute are urged by the committee to lay before business men individually and their associations, boards of trade and chambers of commerce the information and views contained in letter-bulletin 4, as a contribution to the current discussion of taxation.

Fifty copies of letter-bulletin 4 will be sent without charge to any member or associate. A charge of 3 cents each for additional copies will be made. A supply of plain white envelopes is available at cost—some with gummed flaps, for first-class mail; others with clasps, for third class. These are for use by members in sending the letter-bulletins to their clients and others to whom impersonal information of this nature may be transmitted under rules 8 and 11 of the rules of professional conduct, together with a professional card or a proper letter of transmittal. Articles descriptive of letter-bulletin 4, suitable for newspaper use, are available.

Accountants who are not members of the Institute will be supplied with letter-bulletins, while they last, at 3 cents apiece.

Some of the subjects discussed in letter-bulletin 4 are: The tax maze, quotation from George O. May; the board of tax appeals; review of work of the board; procedure before the board; Institute recommendations as to jurisdiction; tenure and com-

pensation; Institute recommendations against conversion of board to court; statement by Arthur A. Ballantine, statement by Edward E. Gore; views of secretary of treasury as expressed to committee on ways and means; miscellaneous recommendations by the Institute.

Forty-six requests for copies of letter-bulletin 4 on tax simplification have been received by J. C. Baker, Chicago, in response to a preliminary announcement of the publication of the letter-bulletin. Of the forty-six requests, 22 are from bank officers and the remainder from manufacturers and commercial men. In one bank ten officers were notified of the forthcoming publication and of these, five wrote back requesting copies. Mr. Baker writes; "This certainly shows that the public appreciates the work of our committee on public affairs."

Walter Mucklow, of Jacksonville, Florida, acted promptly in the matter of bringing to the attention of the local real-estate interests the stand taken by the Institute relative to a more definite regulation of income-tax treatment of deferred-payment real-estate sales. He laid the matter before the Jacksonville real-estate board which immediately made plans to enlist the co-operation of the Florida association and the national association of real-estate boards, with recommendations to the effect that instalment sales of real estate be regarded as instalment sales in determining income. Real-estate interests feel keenly the need of a definite ruling as to whether sales of real estate on deferred payments shall be classified as instalment sales or not by the internal-revenue department.

Circulation of letter-bulletin 3 continued during November, when 256 copies were sent out in response to 23 requests. A few requests for letter-bulletin 2 on the crime tendency also were filled, and a number of inquiries relative to the recent developments in arbitration were answered.

Among the requests for letter-bulletin 3 received during the month was one from the bureau of disbursements of the city of Baltimore.

L. L. Putnam, a public accountant of Chicago, requesting additional copies of letter-bulletin 3, said: "In view of its nature

and completeness, I should think there would be a big demand for copies by accountants, credit men and banks, for purposes of distribution and education. There ought to be one in every institution where men lend money or authorize sales on time."

Another request for copies of letter-bulletin 3 on credit frauds was one from the Orlando, Florida, credit association.

Report blanks received and information obtained from other sources during November relative to public service, including speaking and writing, performed by members and associates, numbered 69, representing as many individuals, and covered 86 specific activities, as follows: 27 speeches, 6 articles or books written, and 53 items of public service. These 86 activities are to be compared with 105, by 71 individuals, reported in October. The audiences ad-

dressed in November totaled approximately 5,200 persons.

William P. Field of Havana, Cuba, during a visit to the United States, addressed the chamber of commerce of New York, on Cuba. He is president of the Cuban chamber of commerce. The Cuban organization has been of great assistance to the federal government in handling its problems, in promoting trade, in disseminating reliable information and in settling commercial and trade differences by arbitration. Mr. Field spoke also before the Rotary club of Key West on October 22nd.

One of the outstanding recognitions of accountancy during the month is the retention by the state of California of S. H. Wolfe of New York to make an investigation of the state compensation insurance fund. This is the first investigation which has ever been made of this fund.

## STATE LEGISLATION

### Iowa

Chapter 40 of the laws of 1925 of Iowa (house bill No. 21) amends the previous law regarding the state board of accountancy. The act is as follows:

An act to amend, revise, and codify section eighteen hundred eighty-six (1886), code, 1924, relating to the board of accountancy.

*Be it enacted by the general assembly of the state of Iowa:*

Section 1. Section eighteen hundred eighty-six (1886), code 1924, is amended, revised, and codified to read as follows:

"1886. *Board of Accountancy—Appointment—Tenure.* The governor shall, on or before July first of each year, commencing with 1926, appoint one person as a member of the board of accountancy to succeed the member whose term then expires. Each member of said board shall be a certified public accountant and his term of office shall be for three (3) years from July first of the year of appointment."

Sec. 2. *Adjustment of Terms.* The present members of said board shall continue to serve until the expiration of the term for which they were originally appointed, respectively, and in addition thereto each shall serve until July first of that year in which his term would expire were it not for this section.

### Missouri

Senate bill No. 258, laws of 1925, of Missouri provides for the keeping of books of coöperative companies. The act is as follows:

Corporations, private: Providing for keeping books of "coöperative companies."

An act to amend article 10, chapter 90, *Revised Statutes of Missouri, 1919*, entitled, "Coöperative companies," by adding one new section thereto to be known as section 10257-a, providing for keeping books; having books audited by auditor; and filing of auditor's report.

*Be it enacted by the general assembly of the state of Missouri, as follows:*

Section 1. Amend article 10, chapter 90, *Revised Statutes, 1919*, by adding a new section to be known as section 10257a.—That article 10, chapter 90, *Revised Statutes of Missouri, 1919*, entitled, "Coöperative companies" be and the same is hereby amended by adding thereto one new section to be known as section 10257-a and to provide for keeping books; having books audited by auditors; and filing of auditor's report and to read as follows:

Sec. 10257a. Books to be audited each year.—All associations formed under the provisions of section 10247, *Revised Statutes of Missouri, 1919*, shall keep a set of books showing the business operation of said association, and said books shall be audited by competent auditors once each year; which auditor shall not be a member or stockholder of said association. At the completion of the audit herein provided for, said auditor shall have the right to call a meeting of the board of directors, and explain his report and the financial condition of said association, and a copy of the report of said auditor shall be filed with the secretary and president of the board of directors of such an association, which report may contain recommendations for the proper handling of the business of said association.

## STATE BOARDS OF ACCOUNTANCY

### North Dakota

A meeting for the purpose of organizing the state board of accountancy in North Dakota was held recently at Bismarck. F. F. Burchard was elected president and J. W. Wilkerson secretary-treasurer. In addition the board includes T. H. Poole.

### Tennessee

The Tennessee state board of accountancy has expressed approval of the code of ethics adopted by the Mississippi

state board, and has formulated a similar code.

### Virginia

The Virginia state board of accountancy announces that the following candidates were successful in the C. P. A. examinations held in the latter part of October: Albert F. Voke, Charles H. Marks, A. W. Burkett, George R. Geddy, F. L. Worcester, S. S. Lawrence, T. Roy Grubbs, C. A. Bean, W. W. Anspach, John Moran, W. P. Edmondson, E. P. Dallas and H. C. Williams.

## NEWS OF LOCAL SOCIETIES

### Buffalo Chapter of the New York State Society of Certified Public Accountants

A meeting of the Buffalo chapter of the New York State Society of Certified Public Accountants was held on December 12th. Accountants and lawyers of western New York were invited to attend the meeting. The following guests addressed the meeting: J. G. Korner, Jr., chairman of the board of tax appeals; Homer S. Pace, president of the New York State Society of Certified Public Accountants, and Adelbert Moot of Buffalo, dean of the western New York attorneys and member of the state board of regents. The main subject of discussion at the meeting was the possibility of co-operation between lawyers and accountants in the administration of income-tax laws.

### California State Society of Certified Public Accountants

The annual dinner of the California State Society of Certified Public Accountants was held November 12th at the Commercial club at San Francisco. Members of the organization discussed plans for a campaign of publicity to inform the public of the work being done by public accountants. William Dolge, president of the society, presided at the meeting.

### Connecticut Society of Certified Public Accountants

The Connecticut Society of Certified Public Accountants held a special meeting on December 4th, at the Hartford club,

Hartford. The purpose of the meeting was to receive and act upon reports of committees.

### Georgia Society of Certified Public Accountants

A list of changes in the constitution and by-laws of the Georgia Society of Certified Public Accountants, proposed by the special committee on constitution and by-laws, has been mailed to each member of the society. At a meeting held November 7th it was recommended that the new constitution and by-laws be accepted, after the changes submitted had been made, as the constitution and by-laws of the society in lieu of those under which the society has heretofore operated. The amendments have now been adopted. The significant changes are summarized as follows:

#### *Constitution*

Article III. Provision is made for voting by proxy at a meeting of the society on amendments to the constitution.

#### *By-laws*

Article I, section 1 (b). Provision is made for the admission of associates who shall be students of accountancy as members in chapter divisions of the society.

Article II, section 2 (b). The regulation admitting C. P. A.'s of other states, practising in Georgia, as fellows of the society has been changed to read: "C. P. A.'s of other states, citizens of Georgia."

Article III, Section 2. Officers under the new ruling shall be elected for one year instead of two as has been the previous custom.

Article III, Section 5. Requirement that the

board of trustees shall consist of members who must be residents of certain counties, has been deleted. In this section also is inserted a paragraph describing the duties of the board of trustees.

Article IV, section 5. Provision is made for the bonding of the treasurer of the society.

Article VII. Special meetings may be called by the president or upon the written request of five fellows of the society, instead of seven as heretofore. Provision for special meetings upon motion of the board is deleted.

Article IX. This article, providing for payment of travelling expenses of members on business for the society, is deleted.

### **Kentucky Institute of Accountants**

The Kentucky Institute of Accountants held a regular meeting on October 13th. The following officers were elected for the ensuing year: President, L. Tipton Young; treasurer, Geo. S. Meldrum; secretary, Chas. G. Harris; trustee (three years), Harry Baumgarten; trustee (one year), Orville D. Harris.

### **Massachusetts Society of Certified Public Accountants**

A meeting of the Massachusetts Society of Certified Public Accountants was held November 23rd in the chamber of commerce, Boston. The members discussed plans whereby the improvement of a Massachusetts certificate of condition might be brought about. Among those who discussed the matter were James Willing, J. E. Masters, R. D. Seamans, J. Chester Crandell and Elliott Hughes.

### **Mississippi Society of Certified Public Accountants**

The annual meeting of the Mississippi Society of Certified Public Accountants was held in Jackson, November 16th. The following officers were elected for the ensuing year: President, L. A. Williams; vice-president, Nelson E. Taylor; secretary, J. A. Rogers, and treasurer, J. D. Meadows. The discussion centered about the code of ethics adopted by the society and the rules of professional conduct of the state board of accountancy. The society voiced unanimous approval of the rules of the state board and went on record as favoring the strict enforcement of these rules, as well as the society's own code of ethics.

The following resolution was adopted:

"Whereas the Mississippi state board of accountancy has promulgated certain rules of professional conduct under date of November 14, 1924,

as expressive of the ideals of the Mississippi accountants, and,

"Whereas these rules have been here discussed at length by the Mississippi Society of Certified Public Accountants, in session at Jackson, Mississippi, November 16, 1925, such discussion disclosing a unanimous approval of the said rules, particularly noting the efforts to correct irresponsible employments,

"THEREFORE, BE IT RESOLVED, that the Mississippi Society of Certified Public Accountants do by these presents express and declare their unqualified approval of the aforesaid rules of professional conduct and do pledge to the Mississippi state board of accountancy the unqualified support of this society in the efforts of the state board to enforce the observance of these rules.

"MOREOVER, BE IT FURTHER AND SPECIFICALLY RESOLVED, that this society condemns any effort on the part of any holder of a certificate as a certified public accountant to claim immunity from responsibility for the policy or policies of employers or employees, who refuse or neglect to conform to the rules of professional conduct otherwise required of holders of such certificates.

### **Montana Society of Certified Public Accountants**

The Montana Society of Certified Public Accountants held its annual meeting in Butte, November 21st. The following officers were elected: President, Roscoe L. Thomas; vice-president, Will A. Logan; secretary-treasurer, J. H. Fennimore.

### **Accountants' Association of Montreal**

At the annual meeting of the Accountants' Association of Montreal the following officers were elected: President, V. Pelletier; first vice-president, E. C. Baker; second vice-president, L. P. Lorite; secretary, A. J. M. Petrie; treasurer, J. T. Raymond. It was announced that the following candidates had been successful in obtaining the degree of the association: John Duthie, J. Dalbec and J. R. Longpré.

### **New York State Society of Certified Public Accountants**

The New York State Society of Certified Public Accountants held a regular monthly meeting, December 14th, at the Waldorf-Astoria hotel. The committee on lectures and entertainment, in coöperation with the special technical committee on public utilities, arranged a public-utility night. Frederick W. Herbert, formerly of the Colorado public-service commission, spoke on the present standard classification of accounts and some special features in development and organization. Carl W. Jackson, for-

merly of the Wisconsin public-service commission, delivered an address on the present and future tendencies in rate regulation.

### **North Carolina Association of Certified Public Accountants**

The sixth annual banquet of the North Carolina Association of Certified Public Accountants was held November 8th. The guest of honor was R. A. Doughton, state commissioner of revenue, who delivered an address on taxation.

### **Ohio Society of Certified Public Accountants**

At a recent meeting of the Ohio Society of Certified Public Accountants it was resolved that the next semi-annual meeting of the society be held in June, 1926, at Columbus.

### **Pennsylvania Institute of Certified Public Accountants**

The Pennsylvania Institute of Certified Public Accountants held a dinner at the Manufacturers' club, Philadelphia, November 18th. Dr. Theodore J. Grayson, director of the evening and extension schools of the University of Pennsylvania spoke on the relation of the educator to the accountant. William M. Lybrand of New York was toastmaster.

### **Institute of Accountants and Auditors of Quebec**

The annual meeting of the Institute of Accountants and Auditors of the province of Quebec was held in the chamber of commerce at Montreal, October 27th. The following officers were elected: President, L. E. Potvin; first vice-president, T. J. Coulter; second vice-president, M. L. J. LaCasse; treasurer, H. J. Ross; secretary, Henri Viau; council, J. E. Bedard, M. J. Baker, H. E. Midgley, and C. H. Skelton.

### **Texas Society of Certified Public Accountants**

The annual meeting of the Texas Society of Certified Public Accountants was held November 14th, at the Baker hotel, Dallas. The following officers were elected: Luke B. Garvin, president; A. E. Myles, vice-president; J. Hutchinson, secretary; A. E. Miles and A. C. Upleger, directors. Frank G. Rogers, chairman of the educational

committee, offered a report which gave rise to a discussion of the defects in college training for accountancy. In deference to the memory of C. E. Scales, former secretary of the society who died recently, the annual banquet was omitted.

### **Wyoming Society of Certified Public Accountants**

At a meeting of the Wyoming Society of Certified Public Accountants in Casper, November 14th, directors, officers and committees were elected for the ensuing year. The officers are as follows: President, C. H. Reimerth; vice-president, Byron S. Huie; secretary-treasurer, A. H. MacDougall; auditor, R. P. Carpenter. Committees are as follows:

#### *Committee on ethics, violations and complaints*

A. H. MacDougall, *chairman*

J. D. Hart

E. D. Peschal

#### *Committee on Legislation*

Byron S. Huie, *chairman*

W. S. Doane

LeRoy Joyce

#### *Committee on Resolutions*

Stanley L. Brown, *chairman*

W. S. Merrill

Chas. O. Anderson

#### *Committee on Public Relations*

W. D. Batchellor, *chairman*

W. S. Doane

W. R. Wright

#### *Committee on Membership*

Karl B. Axt, *chairman*

L. D. Audin

Ray Powers

#### *Committee on Public Education*

E. D. Hiskey, *chairman*

C. M. Coltrano

#### *Committee on Junior Membership*

Charles S. Chapin, *chairman*

The following resolution was adopted at this meeting:

"Whereas, the Wyoming Society of Certified Public Accountants is vitally interested in federal legislation regulating taxes and its administration, and

"Whereas, congress in its last session created a board of tax appeals which has proven itself a vital necessity in the administration of the law and a great relief to the taxpayers, and

"Whereas, This board, if given greater latitude could be of much greater relief,

"BE IT THEREFORE RESOLVED by the Wyoming Society of Certified Public Accountants in convention assembled, to memorialize their representation in congress that they lend their support to any such legislation as would give the United States board of tax appeals:

"(1) A broader jurisdiction over tax controversies in general.

"(2) That the board decisions have a greater



degree of finality, with appeal to the circuit court of appeals.

"(3) That they have power to enforce subpoenas.

"(4) That they have authority to punish perjury.

"(5) That they have contempt power.

"(6) That they have power to enforce decrees.

"(7) That they have jurisdiction in cases of assessments made before June 2, 1924, where tax is not paid.

"AND BE IT FURTHER RESOLVED that they lend their support to any measure which would give the president of the United States power to appoint members to the board of tax appeals for a period of ten years or more, and make the compensation of such members more commensurate with the knowledge and ability required."

At this meeting of the society a programme was announced whereby the busi-

ness public may be informed of the importance of the functions of certified public accountant's. At the meeting addresses were delivered by E. D. Hiskey on bank audits, Jud D. Hart on income taxes, W. B. Merrill on auditing of community chests and philanthropic societies, Charles S. Chapin on assisting of correspondence students, W. S. Doane on municipal auditing, and A. H. MacDougal on business coöperation. A committee was appointed to formulate a plan for coördinating the study of accounting in the city of Casper. The committee consists of Charles S. Chapin, E. C. Peschal and E. A. Nolan.

## OBITUARY

### C. B. Bidwell

C. B. Bidwell, member of the American Institute of Accountants and certified public accountant, died recently at his home in Atlanta. Mr. Bidwell was a member of the Institute at the time of its reorganization in 1916. During the war he was associate manager of the southern division of the American Red Cross. At the time of his death Mr. Bidwell was resident partner of F. W. Lafrentz & Co.

### Leonard Comingore

Leonard Comingore of Louisville, Kentucky, died recently at his home at 2145 Sherwood avenue. Mr. Comingore had been a member of the American Institute of Accountants since 1916. He was sixty-one years of age.

### Charles Orto

On November 8th, Charles Orto died in Little Rock, Arkansas. Mr. Orto was a member of the American Institute of Accountants, a certified public accountant and a freemason. He was forty-six years old at the time of his death.

### Charles E. Scales

Charles E. Scales of Fort Worth, Texas, died November 9th. He had been a member of the American Institute of Accountants since 1916 and at the time of his death was serving as secretary-treasurer of the Texas Society of Certified Public Accountants. He was a member of the firm of Scales & Mothershead.

### Guy C. Stumm

Guy C. Stumm, member of the American Institute of Accountants, a certified public accountant of Denver, died November 29th at the Samaritan sanitarium. Mr. Stumm had been ill for five years following his military service in the war. He became a member of the American Institute in 1916 at its formation, by virtue of his membership in the American Association of Public Accountants, predecessor of the Institute.

### Louis A. Williams

Louis A. Williams, member of the American Institute of Accountants, died suddenly, November 6th, at his home in Dallas, Texas. Mr. Williams was a certified public accountant of Texas, Mississippi and Colorado.

## SPEECH REVIEWS

WILLIAM R. BASSETT—"IS IT A BAD SIGN IF YOUR DESK IS ALWAYS CLEAN?"

Article published in *Liberty*, August 29, 1925.

Mr. Basset cites several cases of business executives who insist upon clearing their respective desks

of work as soon as it arrives. Such men generally pride themselves upon their efficiency, but Mr. Basset claims that the habit easily leads to the formation of snap judgments. Too scanty attention is often given a serious problem in order to get an annoying pink slip out of the way. The writer favors the practice of leaving reports and similar papers within easy reach, where they may be read over at odd mo-

ments during two or three days before a final decision is reached. Often a second reading discloses important facts which originally escaped notice. Mr. Basset mentions also a strategic use of the uncleared desk. The universally understood signal for a caller who has overstayed his welcome is to turn with an abstracted air to the papers on the desk. This often is a substitute for a less courteous method of relieving oneself of an undesirable visitor.

ANDREW H. BLASS—"NOTES RECEIVABLE DISCOUNTED"

Article published in *The Pittsburgh Accountant*, October 1, 1925.

Mr. Blass mentions several methods for treating notes receivable discounted in relation to the preparation of a financial statement, and comments upon each method. The first method is crediting discounted notes direct to the notes-receivable account, and showing on the balance-sheet only the net figure, the amount of undiscounted notes. This method does not truly reflect the condition of a business organization. By showing only the net figure and by crediting discounted notes direct to the asset account a fictitious result is obtained in so far as aggregate assets and liabilities are concerned.

The second plan consists of crediting a notes-receivable-discounted account with the face of notes discounted and carrying this account on the books until maturity date; on the balance showing notes receivable discounted as a deduction from notes receivable. This plan would be satisfactory in instances where statements are being prepared for distribution to stockholders and where the amount of such discounted papers is not too great in proportion to the aggregate of assets.

The third method is opening a notes-receivable-discounted account in the same way as above, showing it on the balance-sheet among the liabilities. This method is to be preferred for use in statements prepared for the obtaining of and passing upon credit limits. While the contingent liability does not actually rank along with outright obligations of a direct nature, a careful credit-man will give contingent obligations practically the same consideration in passing upon credit risk that he would to actual obligations.

The fourth plan and the last treated by Mr. Blass is the same as the first, with this addition: He shows as a foot-note on the balance-sheet information as to the amount of notes discounted upon which contingent liabilities exist. The chief criticism of this method would lie in the fact that the procedure is not self-acting. By that is meant that the information to be gathered for the foot-note on the balance-sheet is not gathered automatically as a result of the entries, as it is in the case of the second and third methods, and as a consequence, the exact information may be lost trace of without the warning effect upon ledger equilibrium and control accounts which is true in the case of the other methods.

JOEL HUNTER—"DEATH DUTIES IN GEORGIA OF AN ESTATE OF \$150,000.00"

An address before the Georgia Field Agents' Club of the Mutual Life Insurance Company of New York, August 15, 1925.

Mr. Hunter stated that a talk about state inheritance-tax laws must be approached in a general way. He asserted his intention of reviewing the subject from a single angle—that of a life-insurance solicitor approaching a prospect. Briefly he reviewed the conditions of the federal and state tax laws, and then assumed an hypothetical case where the speaker himself was an insurance solicitor and his prospect John Jones, whose estate was worth about \$150,000.

The speaker discussed the advantages of making the policy payable to the direct beneficiary, rather than to the estate. He mentioned the recent decision of a state to do away with inheritance and income taxes, but expressed a doubt that the difference would be made up in additional ad-valorem taxes for school, township, city, county and state. Mr. Hunter said that the life-insurance companies may promote real service by bringing out the importance of this subject and preventing embarrassment to widows and orphans who might otherwise sacrifice valuable estates to secure ready cash.

WILLIAM P. PETER—"THE PROFESSIONAL MAN AS AN INVESTOR"

Address before the Torch club of Dallas, Texas, October 20, 1925.

Mr. Peter opened his address by referring to the fact that the shoemaker's children go without shoes, and contended that a parallel exists in the professions. A lawyer cannot defend himself; the accountant fears to make his own tax returns, and the revenue agent consults the accountant. The speaker said that professional men seldom make profitable investments because of their absorption in the conscientious discharge of their duties. Due to their necessarily intimate relations with clients they often accept the advice of a client before making the investment. Mr. Peter briefly commented on the characteristics of the different professions. Ex-ministers and ex-lawyers according to the speaker make the best investors.

NORMAN L. McLAREN—"RELATION OF ACCOUNTANT TO BANKER"

Address before the California Bankers' Association, May 21, 1925. Published in the *Bulletin* of the California Bankers' Association, June, 1925.

Mr. McLaren described the growth in importance of public accountancy since the world war caused America to assume the complicated functions of commercial leadership. He enumerated the various services which a qualified accountant must perform, but added that the increased demand for accountants had attracted to the profession many incapable and even unscrupulous practitioners. Every state in the union now has a certified public accountant law, but unqualified individuals are still permitted to practise even though not certified. The speaker referred to questionable accounting organizations, which he called "diploma-mills," and explained the damage that may be caused by incompetent individuals who profess high qualifications. Mr. McLaren illustrated his point with a recent law-suit based upon an

accountant's report which proved to be inaccurate. The costs of the suit, indirect and direct, were estimated at \$40,000. The speaker mentioned the direct services which accountants may render banks. The crime tendency, so flourishing since the war, has made it necessary to have an expert examination, more thorough than that of the official bank examiner or the auditing committee of the bank, of all accounts. He reminded his audience of the responsibility of

directors in the matter of inaccurate records, and quoted a recent decision of the United States supreme court as relevant to his statement. Mr. McLaren recommended an annual examination of every bank by an independent and disinterested certified public accountant. The expert accountant will verify all the accounts of the bank and at the same time by a study of internal conditions may eliminate waste and irregularities in management.

## COURT DECISIONS

### Texas

Selling bookkeeping system through local agents on orders approved at the home office is interstate commerce, notwithstanding agreement covering installation, according to a decision of the court of civil appeals of Texas in the case of *McCaskey Register Co. v. Mann et al.* The McCaskey Register Co., an unqualified foreign corporation, manufactured a bookkeeping or accounting system, the basis of controversy in this action, which was sold in Texas by local agents, living in the state, on orders approved at the home office in Ohio. A cash payment was made to the agent at the time of taking each order. The lower court dismissed the action because of the non-qualification of the corporation, but the court of civil appeals reversed this decision, saying that formerly transactions similar to this, with the exception as to agreements for installation by the seller, have been held to constitute interstate commerce and therefore are not subject to state legislation. Regarding the agreement for installation, the following statement was made:

"It is a matter of common knowledge that many articles are sold under agreement that the seller will have them installed for the purchaser, when such installation is incidental and involves a small expense as compared to the purchase price of the article; and we are of the opinion that such agreements concerning transactions which otherwise would constitute interstate commerce, do not remove them from that category and render them intrastate commerce."

### Wisconsin

The supreme court of Wisconsin, in the case of *State ex rel. Kieckhefer v. Cary, county clerk*, ruled that an amendment to income-tax law is not retrospective. Kieckhefer lost some thousands of dollars on the sale of a summer home in 1922. At that time, the loss was deductible from his income under the following law:

"(3) Losses during the year and not compensated for by insurance or otherwise, provided that no loss resulting from the operation of business or the ownership of property may be allowed as a deduction unless the income which might be derived from such business or property would be subject to taxation under this act."

Kieckhefer's income, however, was subject to assessment in 1923, at which time this subdivision had been amended as follows:

"Losses during the year not compensated by insurance or otherwise, provided that no loss resulting from the operation of business conducted without the state, or the ownership of property located without the state, may be allowed as a deduction, and provided further that no loss may be allowed on the sale of property purchased and held for pleasure or recreation and which was not acquired or used for profit." (Italics ours.)

Cary, county clerk, argued that Kieckhefer's deduction should not be allowed, even though the loss occurred in 1922, because the amendment was extended to apply to all incomes subject to assessment subsequent to the enactment. The court decided, however, that the amendment should not act retrospectively, and that all incomes should be taxed under the law in effect during the year when the profits and losses occurred. Therefore, the judgment of the lower court in allowing the deduction was affirmed.

### Wyoming

In action on a corporation's note, absence of entries of certain items included in it from the books of the corporation was held not substantial evidence that they were not chargeable to the corporation. This conclusion was stated by the supreme court of Wyoming in the case of *Arp & Hammond Hardware Co. v. Hammond Packing Co. et al.* (No. 1192). The president of the Hammond Packing Co. gave three notes to the plaintiff and his action was held by

the court to be authorized by and a responsibility of the other stockholders, who had long acquiesced in such actions on his part. One of the stockholders, however, claimed that the corporation as a body was not liable, because items amounting to

\$3,332.27, which went into these notes, were not entered into the books of the company. The court ruled that absence of these entries from the books did not constitute substantial evidence that they were not properly chargeable to the packing company.

### HERE AND THERE

Austin L. Beaujon announces the removal of his office from 176 Prospect place, Brooklyn, New York, to 71 West Twenty-third street, New York.

Bowers, Dillingham & Berne of 149 Broadway, New York, announce that Mr. Berne has retired from partnership and the firm name has been changed to Bowers & Dillingham.

Crane & Bowman announce the removal of their Denver offices from the United States National bank building to the ground floor of the chamber of commerce building.

Solomon Farb announces that the partnership of Margolin, Linker & Farb has been dissolved, and that he is now practising at 303 Fifth avenue, New York.

Arthur Fertig & Co. announce the removal of their offices to 1440 Broadway, Central National bank building, New York.

Maurice V. Genez announces that he has formed a partnership with Arthur A. Hartmann, under the name of Genez & Hartmann, Newark, New Jersey, with New York offices at 29 Broadway.

William C. Heaton, Paul A. Cullinan and John J. Helmus of 565 Fifth avenue, New York, announce the opening of a New Jersey office at 207 Broad street, Elizabeth, under direction of William C. Heaton.

Hein & Green announce the opening of a branch office in the Cheney building, Orlando, Florida.

William A. Helm announces the dissolution of the firm of Fox & Helm and his continuance of practice at 402 National

Bank of Commerce building, St. Louis, Missouri.

George F. Horn and Henry Weiss announce that they have formed a partnership under the firm name of Horn & Weiss and will engage in the general practice of public accounting with an office at 32 Broadway, New York.

Johns, Leister & Co. announce admission of Walter L. Morgan to the partnership for the practice of accountancy under the firm name of Johns, Morgan & Leister, Packard building, 15th and Chestnut streets, Philadelphia.

Jorgensen & Luckham of 41 Sutton street, San Francisco, and 357 South Hill street, Los Angeles, California, announce the admission to partnership of Harold A. Bunn. The practice of the firm will be continued under the firm name of Jorgensen, Luckham & Bunn.

Theodore Krohn has moved his offices from the Essex building, Newark, to 734 Prudential building, 763 Broad street, Newark, New Jersey.

Miller, Franklin, Basset & Company of New York announce the opening of an office in the Union bank building, Pittsburgh, Pennsylvania.

Musaus, Dolge & Co. announce the removal of their offices to the W. M. Garland building, Ninth street at Spring, Los Angeles.

Nau, Rusk & Swearingen (a continuing partnership) announce the withdrawal from the firm, effective October 31st, of Stephen G. Rusk and C. B. Williams, and change of name of the firm to Nau, Taylor and

Swearingen, 3334 Prospect avenue, Cleveland, Ohio.

R. G. Rankin & Co. announce the opening of a Buffalo office in the Liberty bank building, under the management of C. M. Burlingame.

John L. Ricker, Thomas W. Rogers, Herman Oeschger and John V. Montgomery announce that they have formed a partnership under the firm name of Ricker, Rogers & Montgomery, Franklin Trust building, Philadelphia, Pennsylvania.

H. V. Robertson & Co. announce the removal of their offices to 705-6-7 Amarillo building, Amarillo, Texas.

B. L. Rosset & Co., of 20 West Jackson boulevard, Chicago, announce that Leonard N. Osborne has become associated with them as a member of the firm.

Adolph F. Schumacher announces the opening of offices in the First National bank building, Paterson, New Jersey.

Walter F. Scott announces the opening of offices at 338 Planters building, St. Louis, Missouri.

Scudder, Stevens & Clark announce the removal of their office to Room 1303, 111 Broadway, New York.

Smith, Abel and Wright announce the dissolution of their partnership. They are now individually associated with the firm of Price, Waterhouse & Co., 816 Lathrop building, Kansas City, Missouri.

Taylor & Varay, 50 Broad street, New York, announce the dissolution of partnership. P. M. Taylor and Henry Varay will continue practice as individuals at the same address.

C. B. Tompkins, formerly of the firm of Billings, Prouty and Tompkins, has accepted a position as office manager with the Harris-Emery Company, Des Moines, Iowa.

William B. Weaver, Lewis H. Allen and Edwin E. Leffler announce the formation of a partnership under the firm name of

Weaver, Allen & Leffler, 1300 Genessee building, Buffalo, New York.

The partnership heretofore existing as Welch & Hastings has been dissolved and the firm name discontinued. The business will be continued by James F. Welch at 129 Market street, Paterson, New Jersey. James J. Hastings will take over the Newark office at 22 Washington place.

Lewis Wintermute announces that he has admitted to partnership his associates Claude A. Pauley and Robert W. Agler and that the practice will hereafter be conducted under the firm name of Wintermute, Pauley & Agler, with offices at 1519 Guardian building, Cleveland, Ohio.

Arthur Young & Co. announce the opening of an office at 718-723 Buhl building, Detroit, Michigan, under the management of T. L. Whitford Porte.

The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

A. Lester Andrus, Portland, Oregon, has been appointed chairman by the City club of Portland of a committee to investigate public-school teachers' salaries and tenure of office.

Joel Hunter, Atlanta, Georgia, was the author of an article on the advantages and meaning of no-par-value stock which appeared in the *Atlanta Constitution* of November 8th.

W. H. Kerman, Fort Wayne, Indiana, was a speaker at the Cleary Business College commencement banquet, Ypsilanti, Michigan, October 24th, on character as a requirement in entering business. Mr. Kerman donated his services to audit the returns of the Fort Wayne community-chest drive.

Lloyd P. Luckham, Los Angeles, addressed a class of the American Bankers Institute, November 23rd, on the various forms of business organizations from a credit standpoint. From November 9th to 19th Mr. Luckham was captain of the Los Angeles community-chest drive.

A. J. Lynn of Bowling Green, Kentucky, delivered an address on some fundamentals of business education before the Southern Commercial Teachers Association of Chattanooga, Tennessee, on November 27th.

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John T. Madden, member of the American Institute of Accountants, has succeeded to the deanship of the school of commerce, accounts and finance of New York University. His predecessor, Dr. Joseph French Johnson, died last January. Since that time Mr. Madden has been acting dean.

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J. H. Nance, Dallas, Texas, spoke on November 11th before the Hillsboro, Texas, chamber of commerce on credits and collections.

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William P. Peter of Dallas addressed the Torch club of Dallas, October 20th, on professional men as investors. This speech was reported in full in the *Dallas News* of October 20th.

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Paul W. Pettengill, Chicago, is chairman of the planning and zoning commissions for Libertyville, Illinois. Mr. Pettengill is a member of a committee for making plans to build a new community hospital in Libertyville.

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Ernest Reckitt has been active in committee work of the city club of Chicago and the Chicago Association of Commerce.

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Theodore I. Schneider, New York, is the author of a series of articles on the method of budgeting for stock houses which are appearing in the *Women's Apparel Merchant Magazine*.

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F. D. Stackhouse led a round-table discussion by municipal accounting officers of Colorado at the state university at Boulder, Colorado, November 18th, on the subject of local improvements.

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E. H. Wagner of St. Louis addressed the St. Louis chapter of the Missouri Society of Certified Public Accountants, at its meeting of November 24th, on the trend of modern accountancy.

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C. Oliver Wellington, Boston, spoke on the analysis, distribution and application of burden at the opening meeting of the Canadian Society of Cost Accountants held October 9th at Montreal. Mr. Wellington is a member of the committee on metropolitan and municipal affairs of the Boston chamber of commerce, and is chairman of a sub-committee on municipal finance. He is also a member of the executive committee and chairman of the committee on meetings of the Massachusetts Society of Certified Public Accountants.

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Charles E. Wermuth, New Orleans, is the author of a book on railroad accounts and statistics.

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William Whitfield of Portland, Oregon, is a member of a special commission to report to the next legislature on the feasibility of simplifying city and county administration for Portland and Multnomah County. Mr. Whitfield was chairman of the management-week committee for Portland.

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John R. Wildman of New York has been elected a director of the National Association of Cost Accountants, in charge of education.

# AMERICAN INSTITUTE OF ACCOUNTANTS

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## COMMITTEE ON CONSTITUTION AND BY-LAWS

TO THE COUNCIL OF THE AMERICAN INSTITUTE OF ACCOUNTANTS:  
GENTLEMEN:

The committee on constitution and by-laws submits as an additional report the following tentative codification of the constitution and by-laws with the idea of grouping together the regulations pertaining to the same subject matter. Your committee is advised by counsel that it is not necessary that a distinction should be made between constitution and by-laws, and the committee has, therefore, consolidated the constitution and by-laws in one.

There has been practically no change made in the language used in the constitution and by-laws as they now stand, but it is thought that the phraseology might be considerably improved in some instances and some of the sections rearranged.

Your committee submits this report with the suggestion that it be referred to the committee on constitution and by-laws for the ensuing year and that the members and associates of the Institute be requested to make any suggestions which they may have toward the improvement or amendment of these by-laws, with the hope that they can be submitted in improved form for adoption at the meeting in 1926.

Respectfully submitted,

T. EDWARD ROSS, *Chairman*,  
GEORGE F. MELDRUM,  
ALEXANDER C. RAE,

*Committee on Constitution and By-Laws.*

The draft codification mentioned in the committee's report has been amended to include amendments adopted at the annual meeting, September, 1925, and declared by the president of the Institute effective as of November 2, 1925, after a majority of the members had signified their approval in writing.

For the committee,

T. EDWARD ROSS, *Chairman*.

November 20, 1925.

# BY-LAWS

## OF THE

### American Institute of Accountants

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#### ARTICLE I

##### NAME AND PURPOSES

SECTION 1. The name of this organization shall be the American Institute of Accountants. Its objects shall be to unite the accountancy profession of the United States; to promote and maintain high professional and moral standards; to safeguard the interests of public accountants; to advance the science of accountancy; to develop and improve accountancy education; to provide for the examination of candidates for membership, and to encourage cordial intercourse among accountants practising in the United States of America.

#### ARTICLE II

##### MEMBERSHIP

SECTION 1. The Institute shall consist of *members* and *associates*.

SEC. 2. Members shall consist of the following:

(a) Fellows of the American Association of Public Accountants who shall be such at September 19, 1916.

(b) Associates who shall have been in practice on their own account or in the employ of a practising public accountant for five years next preceding the date of their application and shall be recommended by the board of examiners after examination and elected by the council. The determination of who shall be considered as practising public accountants shall be made in all cases by the board of examiners.

(c) Accountants who shall present evidence of preliminary education satisfactory to the board of examiners, who shall have been in practice on their own account or in the employ of a practising public accountant for not less than five years immediately preceding the date of their application, at least one year of which shall have been in the United States of America, who shall be recommended by the board of examiners after examination and elected by the council.

(d) Accountants in practice who shall present evidence of preliminary education satisfactory to the board of examiners, who shall have been in practice on their own account or in the employ of a practising accountant for not less than ten years, one year of which shall have immediately



# AMERICAN INSTITUTE OF ACCOUNTANTS

## *Committee on Constitution and By-Laws*

New York, November 20, 1925

TO THE MEMBERS AND ASSOCIATES OF THE  
AMERICAN INSTITUTE OF ACCOUNTANTS

GENTLEMEN:

The Committee on Constitution and By-Laws of the American Institute of Accountants presented at the annual meeting, held in September, 1925, a supplementary report consisting of a tentative codification of the constitution and by-laws.

This report was received by the Council and referred to the committee with the recommendation that it be sent to all the members and associates, accompanied by a request that they consider the suggested codification and communicate to the committee any suggestions which they may desire to make for amendment or addition to the codification. A copy of the report is sent you herewith.

The amendments which were adopted at the annual meeting of 1925, have since been embodied in the enclosed draft, which was prepared prior to the annual meeting.

The committee will greatly appreciate any suggestions for betterment or simplification of the suggested form of codification. It is requested that communications relative to this matter be sent to the Secretary of the Institute as soon as possible so that the committee may have the benefit of the opinions of all the members and associates.

Respectfully submitted for the

COMMITTEE ON CONSTITUTION AND BY-LAWS,

T. EDWARD ROSS, *Chairman.*

preceded date of application, and at least one year of which shall have been in the United States of America, who shall be recommended by the board of examiners after examination and elected by the council.

(e) Accountants engaged in accountancy instruction in schools recognized by the examining board, who shall have been engaged in teaching accountancy subjects in such schools for a period of not less than five years next preceding the date of their application and shall be in possession of a certified public accountant certificate of a standard recognized by the examining board.

Sec. 3. Associates shall consist of the following:

(a) Associate members of the American Association of Public Accountants at September 19, 1916; or

(b) Persons who shall be not less than twenty-one (21) years of age and present evidence of preliminary education satisfactory to the board of examiners; and

(c) Shall have satisfactory training and experience in public accounting.

The last-named qualification may consist of:

(1) Possession of a certificate of graduation from an accounting school recognized by the examining board and a certified public accountant certificate of a standard recognized by the examining board or instead of a certified public accountant certificate employment for not less than two years upon the accounting staff of a public accountant (students not completing the full course at an accounting school shall be given credit by computing the number of years of study satisfactorily completed as being equal to one-half the same number of years employed in the office of a public accountant); or

(2) Employment for not less than two years upon the accounting staff of a public accountant and possession of a certified public accountant certificate of a standard recognized by the examining board; or

(3) Not less than four years' experience in public accounting work either upon his own account or in the office of a public accountant by a person not holding a certified public accountant certificate of a standard recognized by the examining board; or

(4) Possession of an accountant's certificate issued under the law of a foreign government of a grade accepted by unanimous action of the board of examiners and one year's satisfactory experience in practice in the United States of America; or

(5) In the discretion of the board of examiners exercised in each case, not less than three years' experience in teaching accountancy subjects in a school of accountancy recognized by the board of examiners.

SEC. 4. In addition to the foregoing qualifications, candidates for associate membership shall submit to examination by the board of examiners and, upon recommendation of that board, may be elected by the council.

SEC. 5. Voting power in the Institute shall be vested exclusively in the members. Associates shall not have a vote, but may attend all meetings of the Institute and have the privilege of the floor in the discretion of the chair or of the meeting in session.

SEC. 6. After October 31, 1916, no applicant shall be admitted as a member or an associate and no associate shall be advanced to membership without examination by the board of examiners and election by the council.

SEC. 7. Upon election as member or associate each such member or associate shall be entitled to a certificate setting forth that he is a member or an associate of the Institute, but no certificate shall be issued until receipt of initiation fee and dues for the current year. Certificates of membership shall be returned to the council upon termination of membership for any cause except death.

SEC. 8. Members of the Institute shall be entitled to describe themselves as Members of the American Institute of Accountants and associates as Associates of the American Institute of Accountants.

### ARTICLE III

#### FEES AND DUES

SECTION 1. The following shall be initiation fees:

By a member on admission.....	\$50.00
By an associate on becoming a member.....	25.00
By an associate on admission.....	25.00

SEC. 2. The dues for each fiscal year shall include subscription to *The Journal of Accountancy* and to the year-book of the Institute and shall be as follows:

By each member.....	\$25.00
By each associate.....	10.00

SEC. 3. The initiation fee shall be paid when application is made. If application is rejected such fee shall be promptly returned to the applicant. All dues must be paid in advance or at the date of a member's election to membership. All dues shall be apportioned in the first instance to the end of the fiscal year. No dues shall be paid by members and associates of the Institute while they are engaged in military or naval service of the United States or its allies during time of war.

### ARTICLE IV

#### VOTING

SECTION 1. Every member of the Institute shall be entitled to attend all meetings of the Institute and to cast a vote upon all matters brought before such meetings.

SEC. 2. No member shall be entitled to vote at any meeting when his dues shall be sixty days in arrears.

SEC. 3. Any member of the Institute may be represented at regular and special meetings of the Institute by another member acting as his proxy, provided, however:

(a) That no person shall act as a proxy for more than five members.

(b) That no proxy given shall confer power of substitution and that all proxies shall become null and void with the final adjournment of the meetings for which they were given.

## ARTICLE V

### TERMINATION OF MEMBERSHIP

SECTION 1. A member or an associate may offer his resignation in writing at any time. Such resignation will be received and acted upon by the executive committee. The resignation, if accepted, will be effective as of the date of its acceptance. In case a member or an associate who is under charges offers his resignation such resignation will be passed upon by the council. If the council accepts the resignation, such resignation will be effective as of the date of its acceptance.

SEC. 2. A member or an associate failing to pay his annual dues or any subscription, assessment or other sum owing by him to the Institute within five months after such debt has become due shall automatically cease to be a member or an associate of the Institute.

SEC. 2 (a). No person whose membership shall have been forfeited for non-payment of dues or other sum due by him to the Institute may be reinstated, but a member or an associate who shall resign while in good standing may be reinstated by a three-fourths vote of the members of the council present and voting at any regular or special meeting of the council, provided the person applying shall submit with his application for reinstatement the amount of dues and assessments, subscriptions, etc., not in any case to exceed \$25.00, which would have been payable by him if he had continued in membership from the time of resignation to the date of application for reinstatement. No person shall be considered to have resigned while in good standing if at the time of his resignation he was in debt to the Institute for dues or other obligation.

SEC. 3. A member or an associate renders himself liable to expulsion or suspension by the council sitting as a trial board if (a) he refuses or neglects to give effect to any decision of the Institute or of the council, (b) infringes any part of the rules of the Institute, (c) is convicted of a felony or misdemeanor, (d) is declared by a court of competent jurisdiction to have committed any fraud, (e) is held by the council to have been guilty of an act discreditable to the profession, (f) is declared by any competent court to be insane or otherwise incompetent, (g) his certificate as a certified public accountant is revoked or withdrawn by the authority of any state or territory of the United States or of the District of Columbia, or (h) his certificate as a certified public accountant shall have been revoked or withdrawn by the authority of any state or territory

of the United States or of the District of Columbia, and such revocation or withdrawal remains in effect.

## ARTICLE VI

### TRIAL BOARD

SECTION 1. For the purpose of adjudicating charges against members or associates of the Institute as provided in the foregoing articles the council shall convene as a trial board.

SEC. 2. The executive committee shall instruct the secretary to send due notice to the parties concerned at least thirty days prior to the proposed session. After hearing the evidence presented by the committee on professional ethics or other complainant and by the defense, the council may by a two-thirds vote of the members present admonish or suspend for a period of not more than two years the member or associate against whom complaint is made, or by a three-fourths vote of the members present the council may expel the member or associate against whom complaint is made. A statement of the case and the decision of the council thereon, either with or without the name of the person involved, shall be prepared by the executive committee and published in *The Journal of Accountancy*.

SEC. 3. The council sitting as a trial board may recall, rescind or modify any resolution for expulsion or suspension at a meeting similarly called and convened by a three-fourths vote of those present at such subsequent meeting within two years after date of the expulsion or suspension under consideration.

## ARTICLE VII

### COUNCIL AND OFFICERS

SECTION 1. The governing body of the Institute shall be a council consisting of thirty-five members in practice (not more than six of whom shall be residents of the same state), ex-presidents of the Institute and the following officers:

A president (the same person shall not be elected for more than two years in succession).

Two vice-presidents (both of whom shall not be residents of the same state).

A treasurer.

The foregoing officers and members of the council shall be members in practice and, with the exception of the ex-presidents, shall be elected at the annual meeting and shall hold office until their successors shall have been elected and installed.

SEC. 2. The term of office of the officers shall be one year and the term of office of the other thirty-five members of the council shall be five years, except that of the members first elected seven shall be elected for a term of one year, seven for a term of two years, seven for a term of

three years, seven for a term of four years and seven for a term of five years, and annually thereafter seven members shall be elected for terms of five years, except in the case of vacancies in the council, which shall be filled by election by the Institute for the unexpired terms.

SEC. 3. The council shall elect a secretary of the Institute who shall also act as an executive officer under the direction of the council. The secretary may be chosen from without the membership of the Institute, but he shall have the privilege of the floor at meetings of the Institute, the council and the executive committee.

SEC. 4. The council shall also be empowered to elect or appoint such other agents or employees as may be necessary for the proper conduct of the affairs of the Institute.

SEC. 5. In the event of a vacancy or vacancies occurring in the membership of council between meetings of the Institute, the council shall be empowered to elect a member or members of the Institute to fill, until the next annual meeting, the vacancy or vacancies so occurring. Such election may take place at any regular or special meeting of the council, or in lieu of a meeting nominations may be called for by the president and the names of the nominees may be submitted to the membership of council for election by mail ballot. A majority vote of the council shall elect.

SEC. 6. In the event of the death or resignation of any officer of the Institute the council shall be empowered to fill the vacancy thus created, either by election or appointment; the officer so elected or appointed to serve until the annual meeting of the Institute.

## ARTICLE VIII

### COMMITTEES

SECTION 1. There shall be thirteen regular standing committees, namely:

EXECUTIVE—Elected by the council and consisting of five members of the council with the president and treasurer of the Institute ex-officio.

PROFESSIONAL ETHICS—Elected by the council and consisting of five members of the council not members of the executive committee.

ARBITRATION.

BUDGET AND FINANCE.

BY-LAWS.

CREDENTIALS.

EDUCATION.

FEDERAL LEGISLATION.

MEETINGS.

NOMINATIONS.

PUBLICATION.

STATE LEGISLATION.

TERMINOLOGY.

The committee on nominations shall consist of seven members in practice. At the meeting of the council held on the Monday preceding the annual meeting of the Institute or any adjournment thereof the council shall elect from among its numbers, other than officers or those whose terms expire within one year, two members of the council to serve on the committee on nominations. At the annual meeting of the Institute the members present shall elect from among the members in practice five members of the committee on nominations, other than officers or members of the council. This committee shall make nominations for officers and members of the council. Such committee shall serve for a period of one year and until its successors are elected and qualify and shall make such nominations as shall be required at least sixty days prior to the annual meeting for the following year. Such nominations shall be sent to the members at least thirty days prior to the annual meeting.

Any ten members of the institute may submit independent nominations provided that such nominations be filed with the secretary at least twenty days prior to the annual meeting, such independent nominations to be sent to the membership at least ten days prior to the annual meeting. Nominations for officers and members of the council may be made from the floor at the time of the annual meeting only by the consent of the majority of the members present in person.

The committee on education shall consist of five members who shall be appointed in the first instance: one for one year, two for two years and two for three years. Subsequent appointments (except to fill vacancies) shall be for a term of three years each.

SEC. 2. All committees except as provided above shall be appointed by the president and shall consist of a chairman and two other members who shall be members of the Institute.

SEC. 3. A majority of each committee shall constitute a quorum for the transaction of business. In lieu of a meeting of a committee the chairman may submit any question to its own members for vote by correspondence, and any action approved in writing by not less than two-thirds of the whole committee shall be declared an act of the committee.

SEC. 4. The president shall be ex-officio a member of all committees.

## ARTICLE IX

### EXAMINATIONS

SECTION 1. The council at the first meeting thereof after the annual meeting of the Institute shall elect from among the members of the Institute in practice a board of examiners consisting of nine members to serve for terms of three years each, except that of the examiners first elected three shall be elected for a term of one year, three for a term of two years, and three for a term of three years, and annually thereafter three examiners shall be elected for terms of three years.

SEC. 2. The board of examiners shall hold examinations annually or, if deemed expedient, semi-annually for candidates. Such examinations shall be oral or written or partly oral and partly written, and by this or such other methods as may be adopted the board of examiners shall determine the technical qualifications and the preliminary education and training of all applicants for membership before applications are submitted to the council. The examinations shall be held simultaneously in different parts of the country at such places as may be determined by the board of examiners where applicants for admittance may conveniently attend.

SEC. 3. The board of examiners shall organize by the election of a chairman and shall formulate all necessary rules and regulations for the conduct of its work and shall be empowered to appoint duly qualified examiners to prepare examination questions and to mark the grades of papers of applicants and shall charge each applicant an examination fee, which shall be applied to the payment of the expenses incident to examinations. All rules and regulations made by the board of examiners may, however, be amended, suspended or revoked by the council.

## ARTICLE X

### DUTIES OF OFFICERS

SECTION 1. It shall be the duty of the president or, in his absence, one of the vice-presidents or other members of the council designated by the council to preside at all meetings of the council and the Institute. He shall call meetings of the Institute or the council when he deems it necessary or when requested so to do by the executive committee or upon the written request of at least five members of the council for a meeting of the council or one hundred members of the Institute for a meeting of the Institute. The duties of the vice-presidents and treasurer shall be those usually appertaining to such officers. The secretary, in addition to performing the usual duties of that office, shall discharge such other duties as may be imposed upon him by the council or the executive committee.

### AUDIT

SEC. 2. The accounts of the Institute shall be audited by two auditors elected at the annual meeting, who shall report at the next annual meeting. The books and accounts shall be submitted by the treasurer for audit at least one week preceding the date of the annual meeting.

### POWERS AND DUTIES OF COUNCIL AND COMMITTEES

SEC. 3. It shall be the duty of the council to take control and management of all the property belonging to the Institute, to keep a record of its proceedings and report to the Institute at each annual meeting. The council shall exercise all powers requisite for the purposes of the Institute.

SEC. 4. The council may, in its discretion, delegate to the executive committee all functions of the council except election of officers and members, the right to review the rules and regulations of the board of exam-



iners, discipline of members, filling a vacancy in the executive committee and the adoption or alteration of a budget.

SEC. 5. The executive committee shall keep minutes of its proceedings and report fully to the council at each meeting thereof. It shall be the duty of the executive committee to administer the affairs of the Institute, supervise the finances and exercise such other powers as may be designated by the council. No payments except for duly authorized salaries shall be made by the treasurer without the approval of the executive committee.

SEC. 6. The office of a member of the council shall be rendered vacant by his absence from four consecutive meetings of the council.

SEC. 7. The council shall adopt an annual budget showing the money appropriated for the purposes of the Institute and estimating the revenue for the ensuing year. No debts shall be contracted nor money expended otherwise than as provided in the budget without the approval of a majority of the council.

SEC. 8. The duties of each committee shall be those indicated by its title.

SEC. 9. The committee on publication shall supervise *The Journal of Accountancy*.

SEC. 10. The committee on arbitration shall sit as a committee in equity to investigate and decide disputes between members or associates of the Institute or others which shall, by agreement of the parties, be submitted to the committee in due form. If the decision of the committee on arbitration, in any dispute between members or associates of the Institute, be rejected by either party to the dispute, the matter shall be reported to the council, which may prefer charges against either party if it shall consider, by a two-thirds vote of members present, that the recommendation of the committee on arbitration should have been accepted.

SEC. 11. The committee on professional ethics shall have power to hear and consider any complaint preferred against a member or an associate of the Institute and it may advise any one applying to it as to whether or not a submitted action or state of facts warrants a complaint; provided, however, that if the committee finds itself unable to express an opinion it is not to be taken as an endorsement of the action or state of facts. If, upon consideration of a complaint, a prima facie case is established showing a violation of any by-law or rule of conduct of the Institute or conduct discreditable to a public accountant, the committee on professional ethics shall report the matter to the executive committee, which shall arrange a formal complaint and summon the member or associate involved thereby to appear in answer at the next regular or special meeting of the council.

SEC. 12. The credentials committee shall convene immediately after the annual meeting of the Institute has been called to order and at any

time during the meeting shall register and pass upon proxies submitted to it. Only proxies validated by said committee shall be entitled to vote.

## ARTICLE XI

### MEETINGS

SECTION 1. There shall be a regular meeting of the Institute on the third Tuesday of September of each year. The fiscal year of the Institute shall end with the 31st day of August each year.

SEC. 2. Notice of each meeting of the Institute shall be sent to each member and associate at his last known address thirty days before such meeting.

SEC. 3. Special meetings of the Institute may be called as provided in article X, section 1, of these by-laws. At special meetings no other business than that for which they were called shall be transacted. The place of such meetings shall be determined by the executive committee. Notice of special meetings shall in all ways conform to the requirements of notices for regular meetings.

SEC. 4. In lieu of a special meeting of the Institute, the members in meeting assembled may direct the council by a majority vote may also direct the president to submit to the entire membership any question for a vote by correspondence and any action approved in writing by not less than a majority of the members of the Institute shall be declared by the president an act of the Institute and shall be so recorded in its minutes. Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the Institute.

SEC. 5. Regular meetings of the council shall be held on the Thursday next after the third Tuesday in September, the second Monday in April and the Monday next preceding the third Tuesday in September in each year.

SEC. 6. Notice of each meeting of the council except the meeting on the Thursday after the third Tuesday in September shall be sent to each member at his last known address twenty-one days before such meeting. Such notice as far as practicable shall contain a statement of the business to be transacted.

SEC. 7. A transcript of the minutes of each meeting shall be forwarded to each member of the council within thirty days after each meeting.

SEC. 8. Special meetings of the council may be called as provided in article X, section 1, of these by-laws.

SEC. 9. In lieu of a special meeting of the council the president may submit any question to the council for vote by correspondence and any action approved in writing by not less than two-thirds of the whole membership of the council shall be declared by the president an act of the council and shall be recorded in the minutes of the council.

SEC. 10. All committees shall be subject to the call of their respective chairmen.

SEC. 11. Fifty members of the Institute shall constitute a quorum for the transaction of any business duly presented at any meeting of the Institute.

SEC. 12. Twenty members of the council shall constitute a quorum of the council.

SEC. 13. The rules of parliamentary procedure contained in Roberts' *Rules of Order* shall govern all meetings of the council and the Institute.

## ARTICLE XII

### ELECTION OF OFFICERS

SECTION 1. Election of officers, members of council and auditors shall be by ballot. A chairman and two tellers shall be appointed to receive the ballots for each officer, member of council and auditor. They shall count the ballots cast and announce the result to the presiding officer. A majority of votes shall elect.

In case of no majority on the first ballot for any one or more officers or members of council or auditors, a new ballot shall be taken at once for the particular case or cases in which there shall have been no election until an election be effected.

## ARTICLE XIII

### CHAPTERS

Upon application to the council of the Institute and subject to its approval there may be organized in any state, by members resident or having a place of business therein, a subsidiary body to be known as a chapter of the American Institute of Accountants under such rules and regulations as the council of the Institute may prescribe.

## ARTICLE XIV

### AMENDMENTS

Amendments to the by-laws of the Institute shall be made only at the annual meeting thereof and by a two-thirds vote of the members present, but before becoming effective shall be submitted for a mail vote to the entire membership of the Institute, and when approved in writing by a majority thereof shall be declared by the president to be effective. Mail ballots shall be valid and counted only if received within sixty days after date of mailing ballot forms from the office of the Institute. All propositions to amend prepared by the committee on by-laws shall be embodied in the call for the meeting at which such amendments are to be submitted. It shall be compulsory for the secretary to embody in the call for the annual meeting any other propositions to amend of which he shall have had notice endorsed in writing by thirty or more members in good standing at least sixty days prior to the annual meeting.

# BULLETIN

OF THE

## AMERICAN INSTITUTE OF ACCOUNTANTS

135 CEDAR STREET, NEW YORK, N. Y.

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DECEMBER 15, 1925

SERIES B, No. 20

### Accountants' Certificates

Local representatives of the Institute's committee on coöperation with bankers, together with members of the Robert Morris Associates' committee on coöperation with public accountants and several representatives of the New York State Society of Certified Public Accountants, held an informal luncheon meeting November 20th. The subject of discussion was the general question of accountants' certificates. It was decided that a formal meeting be held in the near future to discuss recommendations which will be presented by the chairmen of the respective committees.

### Meeting of Accountants in Baltimore

A joint meeting of the certified public accountants and the public accountants of Maryland was held December 8th at the Southern hotel, Baltimore. All interested in the profession were invited, and between one hundred fifty and two hundred persons attended. Colonel Ralph F. Proctor spoke on the "Crime tendency as indicated by losses on fidelity bonds"; William H. West, president of the American Institute, addressed the meeting on "The Institute"; Raymond C. Reik spoke on "The public accountant in Maryland"; Walter S. Ritter talked of "The attitude of the public accountant in Maryland"; A. P. Richardson, secretary of the American Institute, spoke on "The meaning of membership." The toastmaster was Charles L. Hall, president of the Maryland Association of Certified Public Accountants. Elmer L. Hatter was chairman of the committee on arrangements.

### Year-book of the Institute

The 1925 year-book of the American Institute of Accountants is now on the press and within a few days will be mailed to all members and associates of the Institute. This annual publication contains a list of the officers, council and committees of the Institute; alphabetical and geographical lists of members and associates; proceedings of the annual meeting of the Institute at Washington, September, 1925; reports of officers, council and committees; members of state boards of accountancy; constitution and by-laws of the Institute; rules of professional conduct, and rules of the board of examiners. Copies of the year-book may be obtained by persons other than members or associates by sending orders to the offices of the Institute. The price is \$1.65 postpaid.

### Society of Incorporated Accountants and Auditors

A dinner in celebration of the fortieth anniversary of the Society of Incorporated Accountants and Auditors was held at the Mansion House, London, October 27th. The American Institute of Accountants was represented by Sir Arthur Lowes Dickinson. Other societies represented at the meeting were the Institute of Chartered Accountants in England and Wales and the Netherlands Institute of Accountants, of Amsterdam. Speeches were delivered by the lord chancellor of England, by the president of the London chamber of commerce, by the parliamentary secretary of the board of trade and by the president of the association of British chambers of commerce. Music was furnished by the band of the Grenadier Guards. The ban-

quet was attended by approximately two hundred members and guests.

### **Canadian Society of Cost Accountants**

A regular meeting of the Canadian Society of Cost Accountants was held at the Hotel Mossop, Toronto. The speakers were William Carswell, president of the society, whose subject was "Cost statistics in relation to sales," and W. J. Dunlop, director of university extension, who outlined the work of his department.

### **American Association of University Instructors in Accounting**

A meeting of the American Association of University Instructors in Accounting will be held December 29th and 30th at the Hotel McAlpin, New York. The following programme has been prepared:

TUESDAY, DECEMBER 29

#### **9.30 A.M. First Session**

General topic: Moot points of accounting theory.

This session has been organized by Hiram T. Scoville, professor of accounting, University of Illinois and past president of the

A. A. U. I. A., who will have charge of the programme.

Special paper: Some recreations of an accountant.

Presented by Henry Rand Hatfield, professor of accounting, University of California.

#### **2.30 P.M. Second Session**

General topics: Research in accounting.

This session has been organized by John R. Wildman of Haskins & Sells and past president of the A. A. U. I. A., who will have charge of the programme.

#### **6.30 P.M. Third Session**

Annual banquet.

The evening is left open so that those desiring to do so may attend the opera or the theatre.

WEDNESDAY, DECEMBER 30

#### **9.30 A.M. Fourth Session**

General topic: Relations with other professional accounting societies.

This session has been organized by John T. Madden, dean of the school of commerce, accounts and finance, New York University, and past president of the A. A. U. I. A., who will have charge of the programme.

#### **1.30 P.M. Fifth Session**

General topic: Trends in accounting education.

This topic has been organized by David Himmelblau, professor of accounting, Northwestern University, who will have charge of the programme.

Business session: Reports of committees, election of officers, etc.

## **BOARD OF EXAMINERS**

The examiners have recently finished their work of marking the papers of the candidates who sat for the November examinations, and reports have been sent to the boards of accountancy of states which coöperated. Further information will be published in the next issue of the *Bulletin*. The following states and territories coöperated with the Institute in the November examinations:

Alabama	Missouri
Arizona	Montana
Arkansas	Nebraska
California	New Hampshire

Colorado	New Mexico
Delaware	North Dakota
Florida	Oregon
Hawaii	Rhode Island
Idaho	South Carolina
Indiana	South Dakota
Iowa	Texas
Kansas	Utah
Louisiana	Vermont
Minnesota	Washington
Mississippi	Wyoming

Several states which usually coöperate did not hold examinations at this time.

## **REGIONAL MEETINGS**

Regional meetings and one meeting which resulted in the formation of a new region were held during November at Indianapolis, Indiana; Chicago, Illinois; New Orleans, Louisiana, and Atlanta, Georgia. At all of these meetings an active interest in the work and plans of the Institute and in the solution of current accountancy problems was in evidence and enthusiasm was displayed over the progress that is

being made in widening the field of professional accountancy. President William H. West and the secretary of the Institute attended all four meetings. Mr. West spoke constructively to the four large assemblages of accountants and business men, expressing his appreciation of the splendid support that members and associates of the Institute are everywhere giving the programme of the Institute,

and urging them to still greater efforts. The work of the committee on public affairs and of the bureau which is operated under its direction was commended and reports were made as to the progress of the committee on financing the bureau of public affairs.

### **Indianapolis**

Under the direction of a committee headed by George S. Olive, the Indianapolis regional meeting on November 16th presented three instructive sessions. Governor Jackson welcomed the delegates, laying emphasis on the importance of the accountancy profession, which he said is growing in recognition as business increases in volume and becomes more complex. The secretary of the Institute described many of the activities of the organization.

Arthur A. Ballantine of New York, formerly solicitor of internal revenue spoke on income accounting and income taxation. He said that deflation of taxes is as important as deflation of business and should be accomplished speedily. He paid tribute to the work that is being done by the United States board of tax appeals.

William H. West, president of the Institute spoke on "The Institute" and laid special emphasis on the operations of the library and bureau of information.

J. S. Y. Ivins of Washington, formerly a member of the United States board of tax appeals, described the work of that body. George E. Frazer of Chicago spoke on valuation for tax purposes and described the most modern methods. Homer S. Pace, New York, reviewed the work of the committee on public affairs of which he is chairman and described the policies which the committee is carrying out.

Walter B. Harding of Indianapolis was toastmaster at the dinner. Elmer W. Stout, president of the Fletcher-American National Bank, spoke on what congress should do with the board of tax appeals. Messrs. Ivins and Pace also spoke at the dinner.

The Indiana Society of Certified Public Accountants coöperated with the local committee of the Institute in arranging for the meeting. Dancing followed the dinner.

Cleveland was chosen as the place for the next regional meeting to be held in May, 1926.

### **Chicago**

Accountants from ten of the mid-western states were in attendance at the meeting, November 17th, at the Drake hotel. Francis R. Roberts presided. Honorable Francis X. Busch, corporation counsel of Chicago, welcomed the delegates. Minneapolis was chosen for the next meeting of this region on a date in May, 1926, to be decided later.

The trend of modern accountancy was discussed by President West and by Ernest Reckitt, Arthur Andersen and J. O. McKinsey of Chicago. Homer S. Pace spoke briefly on the work of the committee on public affairs. Following luncheon, F. B. Andrews of Chicago discussed the principles of inheritance taxes; Nathaniel Seefurth of Chicago spoke on the valuation of securities for inheritance-tax purposes and Willis D. Nance of Chicago spoke on procedure before the board of tax appeals. George E. Frazer of Chicago was toastmaster for the dinner; President West spoke on the Institute; Colonel George T. Buckingham of Chicago on power; Dr. G. W. Dyer of Vanderbilt university, Nashville, Tennessee, on economics; and the secretary, A. P. Richardson, on the purposes of the Institute.

### **New Orleans**

The first regional meeting of the southwestern district of the American Institute of Accountants was held at New Orleans, November 19, 20, and 21, 1925. The states comprised within this region were formerly considered as part of the mid-west region, but were formally separated from that region by action at the meeting held at Dallas, Texas, in May, 1925. The meeting was held at the Hotel Roosevelt. The first session on November 19th was opened by an invocation by Rev. Arthur Price.

Addresses of welcome were given by the Hon. O. H. Simpson, lieutenant-governor, on behalf of the state of Louisiana; Martin Behrman, mayor of the city of New Orleans, and William Pfaff, president of the association of commerce, representing the business interests of the city. The addresses of welcome were followed by a paper entitled, *The next step forward*, by Loyd B. Smith. The discussion was led by George A. Treadwell. At noon the meeting

adjourned for lunch, and visitors were entertained as the guests of the local accountants.

At the afternoon session William H. West, president of the Institute, addressed the meeting on the subject of the Institute, and his remarks were followed by a general discussion. Henry J. Miller, president of the Society of Louisiana Certified Public Accountants, described the work and purposes of that society, and A. E. Delaune, president of the Associated Accountants of New Orleans, reviewed the accomplishments of his organization. An informal dinner took place at the hotel, and was followed by a theatre party.

At the meeting on Friday, November 20th, the secretary of the Institute spoke upon the responsibilities of members of the organization. Lynn H. Dinkins read a paper entitled, *The certified public accountant in his relations to the banker*. This was followed by an address by Walter J. Suthon entitled, *The certified public accountant in his relations to the lawyer*. After luncheon the accountants and guests were taken on a boat trip on the Mississippi above and below the city by the Louisiana Society of Certified Public Accountants. In the evening a banquet was held at the Hotel Roosevelt. The speakers were the toastmaster, George A. Treadwell, William H. West, Loyd B. Smith, Ernest Reckitt, A. P. Richardson, and others.

At the meeting on Saturday, November 21st, Ernest Reckitt read a paper entitled, *The trend of modern accountancy*. This was followed by discussion. After consideration of invitations for the next meeting of the region, it was resolved that the place be Jackson, Mississippi, and that the meeting should be held in May, 1926. The committee in charge of the arrangements is under the chairmanship of W. Q. Sharp. Upon motion by Elkin Moses, it was

resolved that a regional club should be formed to assist in the conduct, and if necessary in the financing, of regional meetings in the district. Elmer L. Hatter addressed the meeting on the work of the board of examiners. The meeting adjourned at noon.

### Atlanta

A meeting of accountants practising in and about Atlanta, Georgia, was held at the Atlanta Biltmore, Monday, November 26, 1925. Between eighty and ninety men were present to welcome the president and other representatives of the American Institute of Accountants. The toastmaster was Joel Hunter. Addresses were delivered by William H. West, president of the Institute; Colonel F. J. Paxon, representing the business men of Atlanta; Robert Strickland, vice-president of the Fourth National Bank; A. P. Richardson, secretary of the Institute; Elmer L. Hatter, of the board of examiners of the Institute; Professor A. F. Owen, of the accountancy department of Emory university, and Professor T. W. Noel, of the Georgia school of technology.

Following the addresses of the president and secretary of the Institute a motion was unanimously adopted that the accountants present form a southeastern district, and arrange to hold the first regional meeting of the district at Atlanta during the month of April next. The following committee has been appointed: William H. James, Atlanta, chairman; M. H. Barnes, George M. Clark, R. H. Eaton, Joel Hunter, Walter Mucklow, J. L. Respass, W. C. Rion, J. R. Robison, F. H. Smith, J. W. Todd, and J. E. Wilson. It was resolved that accountants in the following states should be asked to take part in the next meeting: North Carolina South Carolina, Georgia, Florida, Alabama, and the eastern section of Tennessee.

## INSTITUTE CHAPTERS

### Minnesota Chapter

A meeting of the Minnesota chapter was held November 12th at the Minneapolis Athletic club. As guests of the chapter there were present the credit men of the principal Minneapolis banks. R. W. Manuel delivered an address on methods of

weighting credits as proposed by the Robert Morris Associates. The talk was followed by a round-table discussion. E. L. Mattson spoke on accountants' reports, with particular reference to credit. Mr. Mattson brought up the question of certificates and his conception of the duties of accountants in their relations with

bankers. A. F. Wagner responded to Mr. Mattson's talk from the accountant's viewpoint and answered a number of the speaker's objections, explaining wherein it is not always possible for an accountant to make a sufficiently complete audit to give the bankers all the information desired. He stressed the point that accountants often are not informed of the particular purpose for which their report is to be used—whether for credit purposes or otherwise. As a result of these speeches and the open discussion that followed, a committee on relations with the banker was appointed by the chapter. The committee consists of A. F. Wagner, chairman, J. A. Boulay and William Bechert. The meeting also decided that the chapter prepare for distribution in the state a roster of its members and of the C. P. A.'s practising in Minnesota.

### **Northern Ohio Chapter**

The annual meeting of the Northern Ohio chapter was held October 24th with the largest attendance of any meeting the

chapter has had. An address by H. I. Shepard of Cleveland was received with great appreciation. The following directors were elected: Lewis Wintermute, F. C. Brubaker, H. E. Murray, Hugh L. Patch, R. A. Hurst. At a subsequent meeting of directors the following officers were elected: President, H. E. Murray; vice-president, Hugh L. Patch; secretary-treasurer, Lewis Wintermute. The meeting resolved to present an invitation to hold the regional meeting of the spring of 1926 in Cleveland, under the auspices of the Northern Ohio chapter. It was also decided that the chapter hereafter should hold regular monthly meetings in Cleveland, to which the members are at liberty to invite guests. At a meeting of the board of directors on October 29th various committees were appointed and the policies for the ensuing year were formulated. The directors contemplate circularizing the territory of the chapter with letter-bulletins issued by the bureau of public affairs of the Institute as was done with letter-bulletin 3.

## **COMMITTEE ACTIVITIES**

### **Committee on Constitution and By-laws**

The committee on constitution and by-laws of the Institute has prepared a codification of the constitution and by-laws which is intended to eliminate unnecessary repetition, and to simplify the entire code by including in the same article subjects which now are mentioned in both constitution and by-laws. The phraseology has been changed as little as possible. Compactness, clarity and logical arrangement have been the objectives of the committee, rather than any revision or addition to the sense of the matter. With a covering letter dated November 20th, copies of this codification have been sent to each member and associate of the Institute, and suggestions or criticisms will be welcomed by the committee. Several comments have already been received.

### **Special Committee on Public Affairs**

Letter-bulletin 5, in the series being issued by the committee on public affairs, will probably have arbitration as its subject.

It will be designed to present the many important developments in this field during the eighteen months that have elapsed since the publication of the first letter-bulletin on that subject.

In expressing his approval of the plan to discuss arbitration in the next letter-bulletin of the series, the vice-chairman, C. Oliver Wellington, said: "I cordially approve of the plan of having No. 5 on arbitration. I think this subject is particularly important, and the letter-bulletin should have a wide circulation among accountants and business men, as at the present time very few seem to appreciate the real significance of this movement and the possibilities under the present laws."

Edwin H. Wagner, of St. Louis, a member of this committee, wrote: "With respect to letter-bulletin No. 5, I believe, if we are going to publish a bulletin on the subject of commercial arbitration, that this bulletin should be gotten under way immediately, as the psychological period for its circulation will be, as you say, immediately after January 1st, when the new law goes into effect."



S. D. Leidesdorf, of New York, a member of this committee, wrote: "I agree with you that it would be advantageous to publish a letter-bulletin on commercial arbitration, and there can be no doubt that the issuance of letter-bulletin No. 5 on this subject the first of the year when the new federal arbitration law becomes effective would be most opportune."

Requisition blanks for letter-bulletin 5 will be sent out late in the month.

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Circulation of letter-bulletin 4 on tax simplification has begun, and the greater part of it should be completed in a fortnight. Through the requisition blanks sent out by the committee to Institute members, requests were received promptly and are being filled in the order of their receipt. The letter-bulletin appears at the time when this subject is before congress. A limited edition has been printed. Members and associates of the American Institute are urged by the committee to lay before business men individually and their associations, boards of trade and chambers of commerce the information and views contained in letter-bulletin 4, as a contribution to the current discussion of taxation.

Fifty copies of letter-bulletin 4 will be sent without charge to any member or associate. A charge of 3 cents each for additional copies will be made. A supply of plain white envelopes is available at cost—some with gummed flaps, for first-class mail; others with clasps, for third class. These are for use by members in sending the letter-bulletins to their clients and others to whom impersonal information of this nature may be transmitted under rules 8 and 11 of the rules of professional conduct, together with a professional card or a proper letter of transmittal. Articles descriptive of letter-bulletin 4, suitable for newspaper use, are available.

Accountants who are not members of the Institute will be supplied with letter-bulletins, while they last, at 3 cents apiece.

Some of the subjects discussed in letter-bulletin 4 are: The tax maze, quotation from George O. May; the board of tax appeals; review of work of the board; procedure before the board; Institute recommendations as to jurisdiction; tenure and com-

pensation; Institute recommendations against conversion of board to court; statement by Arthur A. Ballantine, statement by Edward E. Gore; views of secretary of treasury as expressed to committee on ways and means; miscellaneous recommendations by the Institute.

Forty-six requests for copies of letter-bulletin 4 on tax simplification have been received by J. C. Baker, Chicago, in response to a preliminary announcement of the publication of the letter-bulletin. Of the forty-six requests, 22 are from bank officers and the remainder from manufacturers and commercial men. In one bank ten officers were notified of the forthcoming publication and of these, five wrote back requesting copies. Mr. Baker writes; "This certainly shows that the public appreciates the work of our committee on public affairs."

Walter Mucklow, of Jacksonville, Florida, acted promptly in the matter of bringing to the attention of the local real-estate interests the stand taken by the Institute relative to a more definite regulation of income-tax treatment of deferred-payment real-estate sales. He laid the matter before the Jacksonville real-estate board which immediately made plans to enlist the co-operation of the Florida association and the national association of real-estate boards, with recommendations to the effect that instalment sales of real estate be regarded as instalment sales in determining income. Real-estate interests feel keenly the need of a definite ruling as to whether sales of real estate on deferred payments shall be classified as instalment sales or not by the internal-revenue department.

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Circulation of letter-bulletin 3 continued during November, when 256 copies were sent out in response to 23 requests. A few requests for letter-bulletin 2 on the crime tendency also were filled, and a number of inquiries relative to the recent developments in arbitration were answered.

Among the requests for letter-bulletin 3 received during the month was one from the bureau of disbursements of the city of Baltimore.

L. L. Putnam, a public accountant of Chicago, requesting additional copies of letter-bulletin 3, said: "In view of its nature

and completeness, I should think there would be a big demand for copies by accountants, credit men and banks, for purposes of distribution and education. There ought to be one in every institution where men lend money or authorize sales on time."

Another request for copies of letter-bulletin 3 on credit frauds was one from the Orlando, Florida, credit association.

Report blanks received and information obtained from other sources during November relative to public service, including speaking and writing, performed by members and associates, numbered 69, representing as many individuals, and covered 86 specific activities, as follows: 27 speeches, 6 articles or books written, and 53 items of public service. These 86 activities are to be compared with 105, by 71 individuals, reported in October. The audiences ad-

ressed in November totaled approximately 5,200 persons.

William P. Field of Havana, Cuba, during a visit to the United States, addressed the chamber of commerce of New York, on Cuba. He is president of the Cuban chamber of commerce. The Cuban organization has been of great assistance to the federal government in handling its problems, in promoting trade, in disseminating reliable information and in settling commercial and trade differences by arbitration. Mr. Field spoke also before the Rotary club of Key West on October 22nd.

One of the outstanding recognitions of accountancy during the month is the retention by the state of California of S. H. Wolfe of New York to make an investigation of the state compensation insurance fund. This is the first investigation which has ever been made of this fund.

## STATE LEGISLATION

### Iowa

Chapter 40 of the laws of 1925 of Iowa (house bill No. 21) amends the previous law regarding the state board of accountancy. The act is as follows:

An act to amend, revise, and codify section eighteen hundred eighty-six (1886), code, 1924, relating to the board of accountancy.

*Be it enacted by the general assembly of the state of Iowa:*

Section 1. Section eighteen hundred eighty-six (1886), code 1924, is amended, revised, and codified to read as follows:

"1886. *Board of Accountancy—Appointment—Tenure.* The governor shall, on or before July first of each year, commencing with 1926, appoint one person as a member of the board of accountancy to succeed the member whose term then expires. Each member of said board shall be a certified public accountant and his term of office shall be for three (3) years from July first of the year of appointment."

Sec. 2. *Adjustment of Terms.* The present members of said board shall continue to serve until the expiration of the term for which they were originally appointed, respectively, and in addition thereto each shall serve until July first of that year in which his term would expire were it not for this section.

### Missouri

Senate bill No. 258, laws of 1925, of Missouri provides for the keeping of books of coöperative companies. The act is as follows:

Corporations, private: Providing for keeping books of "coöperative companies."

An act to amend article 10, chapter 90, *Revised Statutes of Missouri*, 1919, entitled, "Coöperative companies," by adding one new section thereto to be known as section 10257-a, providing for keeping books; having books audited by auditor; and filing of auditor's report.

*Be it enacted by the general assembly of the state of Missouri, as follows:*

Section 1. Amend article 10, chapter 90, *Revised Statutes*, 1919, by adding a new section to be known as section 10257a.—That article 10, chapter 90, *Revised Statutes of Missouri*, 1919, entitled, "Coöperative companies" be and the same is hereby amended by adding thereto one new section to be known as section 10257-a and to provide for keeping books; having books audited by auditors; and filing of auditor's report and to read as follows:

Sec. 10257a. Books to be audited each year.—All associations formed under the provisions of section 10247, *Revised Statutes of Missouri*, 1919, shall keep a set of books showing the business operation of said association, and said books shall be audited by competent auditors once each year; which auditor shall not be a member or stockholder of said association. At the completion of the audit herein provided for, said auditor shall have the right to call a meeting of the board of directors, and explain his report and the financial condition of said association, and a copy of the report of said auditor shall be filed with the secretary and president of the board of directors of such an association, which report may contain recommendations for the proper handling of the business of said association.

## STATE BOARDS OF ACCOUNTANCY

### North Dakota

A meeting for the purpose of organizing the state board of accountancy in North Dakota was held recently at Bismarck. F. F. Burchard was elected president and J. W. Wilkerson secretary-treasurer. In addition the board includes T. H. Poole.

### Tennessee

The Tennessee state board of accountancy has expressed approval of the code of ethics adopted by the Mississippi

state board, and has formulated a similar code.

### Virginia

The Virginia state board of accountancy announces that the following candidates were successful in the C. P. A. examinations held in the latter part of October: Albert F. Voke, Charles H. Marks, A. W. Burkett, George R. Geddy, F. L. Worcester, S. S. Lawrence, T. Roy Grubbs, C. A. Bean, W. W. Anspach, John Moran, W. P. Edmondson, E. P. Dallas and H. C. Williams.

## NEWS OF LOCAL SOCIETIES

### Buffalo Chapter of the New York State Society of Certified Public Accountants

A meeting of the Buffalo chapter of the New York State Society of Certified Public Accountants was held on December 12th. Accountants and lawyers of western New York were invited to attend the meeting. The following guests addressed the meeting: J. G. Korner, Jr., chairman of the board of tax appeals; Homer S. Pace, president of the New York State Society of Certified Public Accountants, and Adelbert Moot of Buffalo, dean of the western New York attorneys and member of the state board of regents. The main subject of discussion at the meeting was the possibility of co-operation between lawyers and accountants in the administration of income-tax laws.

### California State Society of Certified Public Accountants

The annual dinner of the California State Society of Certified Public Accountants was held November 12th at the Commercial club at San Francisco. Members of the organization discussed plans for a campaign of publicity to inform the public of the work being done by public accountants. William Dolge, president of the society, presided at the meeting.

### Connecticut Society of Certified Public Accountants

The Connecticut Society of Certified Public Accountants held a special meeting on December 4th, at the Hartford club,

Hartford. The purpose of the meeting was to receive and act upon reports of committees.

### Georgia Society of Certified Public Accountants

A list of changes in the constitution and by-laws of the Georgia Society of Certified Public Accountants, proposed by the special committee on constitution and by-laws, has been mailed to each member of the society. At a meeting held November 7th it was recommended that the new constitution and by-laws be accepted, after the changes submitted had been made, as the constitution and by-laws of the society in lieu of those under which the society has heretofore operated. The amendments have now been adopted. The significant changes are summarized as follows:

#### *Constitution*

Article III. Provision is made for voting by proxy at a meeting of the society on amendments to the constitution.

#### *By-laws*

Article I, section 1 (b). Provision is made for the admission of associates who shall be students of accountancy as members in chapter divisions of the society.

Article II, section 2 (b). The regulation admitting C. P. A.'s of other states, practising in Georgia, as fellows of the society has been changed to read: "C. P. A.'s of other states, citizens of Georgia."

Article III, Section 2. Officers under the new ruling shall be elected for one year instead of two as has been the previous custom.

Article III, Section 5. Requirement that the

board of trustees shall consist of members who must be residents of certain counties, has been deleted. In this section also is inserted a paragraph describing the duties of the board of trustees.

Article IV, section 5. Provision is made for the bonding of the treasurer of the society.

Article VII. Special meetings may be called by the president or upon the written request of five fellows of the society, instead of seven as heretofore. Provision for special meetings upon motion of the board is deleted.

Article IX. This article, providing for payment of travelling expenses of members on business for the society, is deleted.

### **Kentucky Institute of Accountants**

The Kentucky Institute of Accountants held a regular meeting on October 13th. The following officers were elected for the ensuing year: President, L. Tipton Young; treasurer, Geo. S. Meldrum; secretary, Chas. G. Harris; trustee (three years), Harry Baumgarten; trustee (one year), Orville D. Harris.

### **Massachusetts Society of Certified Public Accountants**

A meeting of the Massachusetts Society of Certified Public Accountants was held November 23rd in the chamber of commerce, Boston. The members discussed plans whereby the improvement of a Massachusetts certificate of condition might be brought about. Among those who discussed the matter were James Willing, J. E. Masters, R. D. Seamans, J. Chester Crandell and Elliott Hughes.

### **Mississippi Society of Certified Public Accountants**

The annual meeting of the Mississippi Society of Certified Public Accountants was held in Jackson, November 16th. The following officers were elected for the ensuing year: President, L. A. Williams; vice-president, Nelson E. Taylor; secretary, J. A. Rogers, and treasurer, J. D. Meadows. The discussion centered about the code of ethics adopted by the society and the rules of professional conduct of the state board of accountancy. The society voiced unanimous approval of the rules of the state board and went on record as favoring the strict enforcement of these rules, as well as the society's own code of ethics.

The following resolution was adopted:

"Whereas the Mississippi state board of accountancy has promulgated certain rules of professional conduct under date of November 14, 1924,

as expressive of the ideals of the Mississippi accountants, and,

"Whereas these rules have been here discussed at length by the Mississippi Society of Certified Public Accountants, in session at Jackson, Mississippi, November 16, 1925, such discussion disclosing a unanimous approval of the said rules, particularly noting the efforts to correct irresponsible employments,

"THEREFORE, BE IT RESOLVED, that the Mississippi Society of Certified Public Accountants do by these presents express and declare their unqualified approval of the aforesaid rules of professional conduct and do pledge to the Mississippi state board of accountancy the unqualified support of this society in the efforts of the state board to enforce the observance of these rules.

"MOREOVER, BE IT FURTHER AND SPECIFICALLY RESOLVED, that this society condemns any effort on the part of any holder of a certificate as a certified public accountant to claim immunity from responsibility for the policy or policies of employers or employees, who refuse or neglect to conform to the rules of professional conduct otherwise required of holders of such certificates.

### **Montana Society of Certified Public Accountants**

The Montana Society of Certified Public Accountants held its annual meeting in Butte, November 21st. The following officers were elected: President, Roscoe L. Thomas; vice-president, Will A. Logan; secretary-treasurer, J. H. Fennimore.

### **Accountants' Association of Montreal**

At the annual meeting of the Accountants' Association of Montreal the following officers were elected: President, V. Pelletier; first vice-president, E. C. Baker; second vice-president, L. P. Lorite; secretary, A. J. M. Petrie; treasurer, J. T. Raymond. It was announced that the following candidates had been successful in obtaining the degree of the association: John Duthie, J. Dalbec and J. R. Longpré.

### **New York State Society of Certified Public Accountants**

The New York State Society of Certified Public Accountants held a regular monthly meeting, December 14th, at the Waldorf-Astoria hotel. The committee on lectures and entertainment, in coöperation with the special technical committee on public utilities, arranged a public-utility night. Frederick W. Herbert, formerly of the Colorado public-service commission, spoke on the present standard classification of accounts and some special features in development and organization. Carl W. Jackson, for-

merly of the Wisconsin public-service commission, delivered an address on the present and future tendencies in rate regulation.

### **North Carolina Association of Certified Public Accountants**

The sixth annual banquet of the North Carolina Association of Certified Public Accountants was held November 8th. The guest of honor was R. A. Doughton, state commissioner of revenue, who delivered an address on taxation.

### **Ohio Society of Certified Public Accountants**

At a recent meeting of the Ohio Society of Certified Public Accountants it was resolved that the next semi-annual meeting of the society be held in June, 1926, at Columbus.

### **Pennsylvania Institute of Certified Public Accountants**

The Pennsylvania Institute of Certified Public Accountants held a dinner at the Manufacturers' club, Philadelphia, November 18th. Dr. Theodore J. Grayson, director of the evening and extension schools of the University of Pennsylvania spoke on the relation of the educator to the accountant. William M. Lybrand of New York was toastmaster.

### **Institute of Accountants and Auditors of Quebec**

The annual meeting of the Institute of Accountants and Auditors of the province of Quebec was held in the chamber of commerce at Montreal, October 27th. The following officers were elected: President, L. E. Potvin; first vice-president, T. J. Coulter; second vice-president, M. L. J. LaCasse; treasurer, H. J. Ross; secretary, Henri Viau; council, J. E. Bedard, M. J. Baker, H. E. Midgley, and C. H. Skelton.

### **Texas Society of Certified Public Accountants**

The annual meeting of the Texas Society of Certified Public Accountants was held November 14th, at the Baker hotel, Dallas. The following officers were elected: Luke B. Garvin, president; A. E. Myles, vice-president; J. Hutchinson, secretary; A. E. Miles and A. C. Upleger, directors. Frank G. Rogers, chairman of the educational

committee, offered a report which gave rise to a discussion of the defects in college training for accountancy. In deference to the memory of C. E. Scales, former secretary of the society who died recently, the annual banquet was omitted.

### **Wyoming Society of Certified Public Accountants**

At a meeting of the Wyoming Society of Certified Public Accountants in Casper, November 14th, directors, officers and committees were elected for the ensuing year. The officers are as follows: President, C. H. Reimerth; vice-president, Byron S. Huie; secretary-treasurer, A. H. MacDougall; auditor, R. P. Carpenter. Committees are as follows:

#### *Committee on ethics, violations and complaints*

A. H. MacDougall, *chairman*

J. D. Hart

E. D. Peschal

#### *Committee on Legislation*

Byron S. Huie, *chairman*

W. S. Doane

LeRoy Joyce

#### *Committee on Resolutions*

Stanley L. Brown, *chairman*

W. S. Merrill

Chas. O. Anderson

#### *Committee on Public Relations*

W. D. Batchellor, *chairman*

W. S. Doane

W. R. Wright

#### *Committee on Membership*

Karl B. Axt, *chairman*

L. D. Audin

Ray Powers

#### *Committee on Public Education*

E. D. Hiskey, *chairman*

C. M. Coltrano

#### *Committee on Junior Membership*

Charles S. Chapin, *chairman*

The following resolution was adopted at this meeting:

"Whereas, the Wyoming Society of Certified Public Accountants is vitally interested in federal legislation regulating taxes and its administration, and

"Whereas, congress in its last session created a board of tax appeals which has proven itself a vital necessity in the administration of the law and a great relief to the taxpayers, and

"Whereas, This board, if given greater latitude could be of much greater relief,

"BE IT THEREFORE RESOLVED by the Wyoming Society of Certified Public Accountants in convention assembled, to memorialize their representation in congress that they lend their support to any such legislation as would give the United States board of tax appeals:

"(1) A broader jurisdiction over tax controversies in general.

"(2) That the board decisions have a greater

degree of finality, with appeal to the circuit court of appeals.

"(3) That they have power to enforce subpoenas.

"(4) That they have authority to punish perjury.

"(5) That they have contempt power.

"(6) That they have power to enforce decrees.

"(7) That they have jurisdiction in cases of assessments made before June 2, 1924, where tax is not paid.

"AND BE IT FURTHER RESOLVED that they lend their support to any measure which would give the president of the United States power to appoint members to the board of tax appeals for a period of ten years or more, and make the compensation of such members more commensurate with the knowledge and ability required."

At this meeting of the society a programme was announced whereby the busi-

ness public may be informed of the importance of the functions of certified public accountant's. At the meeting addresses were delivered by E. D. Hiskey on bank audits, Jud D. Hart on income taxes, W. B. Merrill on auditing of community chests and philanthropic societies, Charles S. Chapin on assisting of correspondence students, W. S. Doane on municipal auditing, and A. H. MacDougal on business coöperation. A committee was appointed to formulate a plan for coördinating the study of accounting in the city of Casper. The committee consists of Charles S. Chapin, E. C. Peschal and E. A. Nolan.

## OBITUARY

### C. B. Bidwell

C. B. Bidwell, member of the American Institute of Accountants and certified public accountant, died recently at his home in Atlanta. Mr. Bidwell was a member of the Institute at the time of its reorganization in 1916. During the war he was associate manager of the southern division of the American Red Cross. At the time of his death Mr. Bidwell was resident partner of F. W. Lafrentz & Co.

### Leonard Comingore

Leonard Comingore of Louisville, Kentucky, died recently at his home at 2145 Sherwood avenue. Mr. Comingore had been a member of the American Institute of Accountants since 1916. He was sixty-one years of age.

### Charles Orto

On November 8th, Charles Orto died in Little Rock, Arkansas. Mr. Orto was a member of the American Institute of Accountants, a certified public accountant and a freemason. He was forty-six years old at the time of his death.

### Charles E. Scales

Charles E. Scales of Fort Worth, Texas, died November 9th. He had been a member of the American Institute of Accountants since 1916 and at the time of his death was serving as secretary-treasurer of the Texas Society of Certified Public Accountants. He was a member of the firm of Scales & Mothershead.

### Guy C. Stumm

Guy C. Stumm, member of the American Institute of Accountants, a certified public accountant of Denver, died November 29th at the Samaritan sanitarium. Mr. Stumm had been ill for five years following his military service in the war. He became a member of the American Institute in 1916 at its formation, by virtue of his membership in the American Association of Public Accountants, predecessor of the Institute.

### Louis A. Williams

Louis A. Williams, member of the American Institute of Accountants, died suddenly, November 6th, at his home in Dallas, Texas. Mr. Williams was a certified public accountant of Texas, Mississippi and Colorado.

## SPEECH REVIEWS

WILLIAM R. BASSETT—"IS IT A BAD SIGN IF YOUR DESK IS ALWAYS CLEAN?"

Article published in *Liberty*, August 29, 1925.

Mr. Basset cites several cases of business executives who insist upon clearing their respective desks

of work as soon as it arrives. Such men generally pride themselves upon their efficiency, but Mr. Basset claims that the habit easily leads to the formation of snap judgments. Too scanty attention is often given a serious problem in order to get an annoying pink slip out of the way. The writer favors the practice of leaving reports and similar papers within easy reach, where they may be read over at odd mo-

ments during two or three days before a final decision is reached. Often a second reading discloses important facts which originally escaped notice. Mr. Basset mentions also a strategic use of the uncleared desk. The universally understood signal for a caller who has overstayed his welcome is to turn with an abstracted air to the papers on the desk. This often is a substitute for a less courteous method of relieving oneself of an undesirable visitor.

ANDREW H. BLASS—"NOTES RECEIVABLE DISCOUNTED"

Article published in *The Pittsburgh Accountant*, October 1, 1925.

Mr. Blass mentions several methods for treating notes receivable discounted in relation to the preparation of a financial statement, and comments upon each method. The first method is crediting discounted notes direct to the notes-receivable account, and showing on the balance-sheet only the net figure, the amount of undiscounted notes. This method does not truly reflect the condition of a business organization. By showing only the net figure and by crediting discounted notes direct to the asset account a fictitious result is obtained in so far as aggregate assets and liabilities are concerned.

The second plan consists of crediting a notes-receivable-discounted account with the face of notes discounted and carrying this account on the books until maturity date; on the balance showing notes receivable discounted as a deduction from notes receivable. This plan would be satisfactory in instances where statements are being prepared for distribution to stockholders and where the amount of such discounted papers is not too great in proportion to the aggregate of assets.

The third method is opening a notes-receivable-discounted account in the same way as above, showing it on the balance-sheet among the liabilities. This method is to be preferred for use in statements prepared for the obtaining of and passing upon credit limits. While the contingent liability does not actually rank along with outright obligations of a direct nature, a careful credit-man will give contingent obligations practically the same consideration in passing upon credit risk that he would to actual obligations.

The fourth plan and the last treated by Mr. Blass is the same as the first, with this addition: He shows as a foot-note on the balance-sheet information as to the amount of notes discounted upon which contingent liabilities exist. The chief criticism of this method would lie in the fact that the procedure is not self-acting. By that is meant that the information to be gathered for the foot-note on the balance-sheet is not gathered automatically as a result of the entries, as it is in the case of the second and third methods, and as a consequence, the exact information may be lost trace of without the warning effect upon ledger equilibrium and control accounts which is true in the case of the other methods.

JOEL HUNTER—"DEATH DUTIES IN GEORGIA OF AN ESTATE OF \$150,000.00"

An address before the Georgia Field Agents' Club of the Mutual Life Insurance Company of New York, August 15, 1925.

Mr. Hunter stated that a talk about state inheritance-tax laws must be approached in a general way. He asserted his intention of reviewing the subject from a single angle—that of a life-insurance solicitor approaching a prospect. Briefly he reviewed the conditions of the federal and state tax laws, and then assumed an hypothetical case where the speaker himself was an insurance solicitor and his prospect John Jones, whose estate was worth about \$150,000.

The speaker discussed the advantages of making the policy payable to the direct beneficiary, rather than to the estate. He mentioned the recent decision of a state to do away with inheritance and income taxes, but expressed a doubt that the difference would be made up in additional ad-valorem taxes for school, township, city, county and state. Mr. Hunter said that the life-insurance companies may promote real service by bringing out the importance of this subject and preventing embarrassment to widows and orphans who might otherwise sacrifice valuable estates to secure ready cash.

WILLIAM P. PETER—"THE PROFESSIONAL MAN AS AN INVESTOR"

Address before the Torch club of Dallas, Texas, October 20, 1925.

Mr. Peter opened his address by referring to the fact that the shoemaker's children go without shoes, and contended that a parallel exists in the professions. A lawyer cannot defend himself; the accountant fears to make his own tax returns, and the revenue agent consults the accountant. The speaker said that professional men seldom make profitable investments because of their absorption in the conscientious discharge of their duties. Due to their necessarily intimate relations with clients they often accept the advice of a client before making the investment. Mr. Peter briefly commented on the characteristics of the different professions. Ex-ministers and ex-lawyers according to the speaker make the best investors.

NORMAN L. McLAREN—"RELATION OF ACCOUNTANT TO BANKER"

Address before the California Bankers' Association, May 21, 1925. Published in the *Bulletin* of the California Bankers' Association, June, 1925.

Mr. McLaren described the growth in importance of public accountancy since the world war caused America to assume the complicated functions of commercial leadership. He enumerated the various services which a qualified accountant must perform, but added that the increased demand for accountants had attracted to the profession many incapable and even unscrupulous practitioners. Every state in the union now has a certified public accountant law, but unqualified individuals are still permitted to practise even though not certified. The speaker referred to questionable accounting organizations, which he called "diploma-mills," and explained the damage that may be caused by incompetent individuals who profess high qualifications. Mr. McLaren illustrated his point with a recent law-suit based upon an

accountant's report which proved to be inaccurate. The costs of the suit, indirect and direct, were estimated at \$40,000. The speaker mentioned the direct services which accountants may render banks. The crime tendency, so flourishing since the war, has made it necessary to have an expert examination, more thorough than that of the official bank examiner or the auditing committee of the bank, of all accounts. He reminded his audience of the responsibility of

directors in the matter of inaccurate records, and quoted a recent decision of the United States supreme court as relevant to his statement. Mr. McLaren recommended an annual examination of every bank by an independent and disinterested certified public accountant. The expert accountant will verify all the accounts of the bank and at the same time by a study of internal conditions may eliminate waste and irregularities in management.

## COURT DECISIONS

### Texas

Selling bookkeeping system through local agents on orders approved at the home office is interstate commerce, notwithstanding agreement covering installation, according to a decision of the court of civil appeals of Texas in the case of *McCaskey Register Co. v. Mann et al.* The McCaskey Register Co., an unqualified foreign corporation, manufactured a bookkeeping or accounting system, the basis of controversy in this action, which was sold in Texas by local agents, living in the state, on orders approved at the home office in Ohio. A cash payment was made to the agent at the time of taking each order. The lower court dismissed the action because of the non-qualification of the corporation, but the court of civil appeals reversed this decision, saying that formerly transactions similar to this, with the exception as to agreements for installation by the seller, have been held to constitute interstate commerce and therefore are not subject to state legislation. Regarding the agreement for installation, the following statement was made:

"It is a matter of common knowledge that many articles are sold under agreement that the seller will have them installed for the purchaser, when such installation is incidental and involves a small expense as compared to the purchase price of the article; and we are of the opinion that such agreements concerning transactions which otherwise would constitute interstate commerce, do not remove them from that category and render them intrastate commerce."

### Wisconsin

The supreme court of Wisconsin, in the case of *State ex rel. Kieckhefer v. Cary, county clerk*, ruled that an amendment to income-tax law is not retrospective. Kieckhefer lost some thousands of dollars on the sale of a summer home in 1922. At that time, the loss was deductible from his income under the following law:

"(3) Losses during the year and not compensated for by insurance or otherwise, provided that no loss resulting from the operation of business or the ownership of property may be allowed as a deduction unless the income which might be derived from such business or property would be subject to taxation under this act."

Kieckhefer's income, however, was subject to assessment in 1923, at which time this subdivision had been amended as follows:

"Losses during the year not compensated by insurance or otherwise, provided that no loss resulting from the operation of business conducted without the state, or the ownership of property located without the state, may be allowed as a deduction, and *provided further that no loss may be allowed on the sale of property purchased and held for pleasure or recreation and which was not acquired or used for profit.*" (Italics ours.)

Cary, county clerk, argued that Kieckhefer's deduction should not be allowed, even though the loss occurred in 1922, because the amendment was extended to apply to all incomes subject to assessment subsequent to the enactment. The court decided, however, that the amendment should not act retrospectively, and that all incomes should be taxed under the law in effect during the year when the profits and losses occurred. Therefore, the judgment of the lower court in allowing the deduction was affirmed.

### Wyoming

In action on a corporation's note, absence of entries of certain items included in it from the books of the corporation was held not substantial evidence that they were not chargeable to the corporation. This conclusion was stated by the supreme court of Wyoming in the case of *Arp & Hammond Hardware Co. v. Hammond Packing Co. et al.* (No. 1192). The president of the Hammond Packing Co. gave three notes to the plaintiff and his action was held by



the court to be authorized by and a responsibility of the other stockholders, who had long acquiesced in such actions on his part. One of the stockholders, however, claimed that the corporation as a body was not liable, because items amounting to

\$3,332.27, which went into these notes, were not entered into the books of the company. The court ruled that absence of these entries from the books did not constitute substantial evidence that they were not properly chargeable to the packing company.

## HERE AND THERE

Austin L. Beaujon announces the removal of his office from 176 Prospect place, Brooklyn, New York, to 71 West Twenty-third street, New York.

Bowers, Dillingham & Berne of 149 Broadway, New York, announce that Mr. Berne has retired from partnership and the firm name has been changed to Bowers & Dillingham.

Crane & Bowman announce the removal of their Denver offices from the United States National bank building to the ground floor of the chamber of commerce building.

Solomon Farb announces that the partnership of Margolin, Linker & Farb has been dissolved, and that he is now practising at 303 Fifth avenue, New York.

Arthur Fertig & Co. announce the removal of their offices to 1440 Broadway, Central National bank building, New York.

Maurice V. Genez announces that he has formed a partnership with Arthur A. Hartmann, under the name of Genez & Hartmann, Newark, New Jersey, with New York offices at 29 Broadway.

William C. Heaton, Paul A. Cullinan and John J. Helmus of 565 Fifth avenue, New York, announce the opening of a New Jersey office at 207 Broad street, Elizabeth, under direction of William C. Heaton.

Hein & Green announce the opening of a branch office in the Cheney building, Orlando, Florida.

William A. Helm announces the dissolution of the firm of Fox & Helm and his continuance of practice at 402 National

Bank of Commerce building, St. Louis, Missouri.

George F. Horn and Henry Weiss announce that they have formed a partnership under the firm name of Horn & Weiss and will engage in the general practice of public accounting with an office at 32 Broadway, New York.

Johns, Leister & Co. announce admission of Walter L. Morgan to the partnership for the practice of accountancy under the firm name of Johns, Morgan & Leister, Packard building, 15th and Chestnut streets, Philadelphia.

Jorgensen & Luckham of 41 Sutton street, San Francisco, and 357 South Hill street, Los Angeles, California, announce the admission to partnership of Harold A. Bunn. The practice of the firm will be continued under the firm name of Jorgensen, Luckham & Bunn.

Theodore Krohn has moved his offices from the Essex building, Newark, to 734 Prudential building, 763 Broad street, Newark, New Jersey.

Miller, Franklin, Basset & Company of New York announce the opening of an office in the Union bank building, Pittsburgh, Pennsylvania.

Musaus, Dolge & Co. announce the removal of their offices to the W. M. Garland building, Ninth street at Spring, Los Angeles.

Nau, Rusk & Swearingen (a continuing partnership) announce the withdrawal from the firm, effective October 31st, of Stephen G. Rusk and C. B. Williams, and change of name of the firm to Nau, Taylor and

Swearingen, 3334 Prospect avenue, Cleveland, Ohio.

R. G. Rankin & Co. announce the opening of a Buffalo office in the Liberty bank building, under the management of C. M. Burlingame.

John L. Ricker, Thomas W. Rogers, Herman Oeschger and John V. Montgomery announce that they have formed a partnership under the firm name of Ricker, Rogers & Montgomery, Franklin Trust building, Philadelphia, Pennsylvania.

H. V. Robertson & Co. announce the removal of their offices to 705-6-7 Amarillo building, Amarillo, Texas.

B. L. Rosset & Co., of 20 West Jackson boulevard, Chicago, announce that Leonard N. Osborne has become associated with them as a member of the firm.

Adolph F. Schumacher announces the opening of offices in the First National bank building, Paterson, New Jersey.

Walter F. Scott announces the opening of offices at 338 Planters building, St. Louis, Missouri.

Scudder, Stevens & Clark announce the removal of their office to Room 1303, 111 Broadway, New York.

Smith, Abel and Wright announce the dissolution of their partnership. They are now individually associated with the firm of Price, Waterhouse & Co., 816 Lathrop building, Kansas City, Missouri.

Taylor & Varay, 50 Broad street, New York, announce the dissolution of partnership. P. M. Taylor and Henry Varay will continue practice as individuals at the same address.

C. B. Tompkins, formerly of the firm of Billings, Prouty and Tompkins, has accepted a position as office manager with the Harris-Emery Company, Des Moines, Iowa.

William B. Weaver, Lewis H. Allen and Edwin E. Leffler announce the formation of a partnership under the firm name of

Weaver, Allen & Leffler, 1300 Genessee building, Buffalo, New York.

The partnership heretofore existing as Welch & Hastings has been dissolved and the firm name discontinued. The business will be continued by James F. Welch at 129 Market street, Paterson, New Jersey. James J. Hastings will take over the Newark office at 22 Washington place.

Lewis Wintermute announces that he has admitted to partnership his associates Claude A. Pauley and Robert W. Agler and that the practice will hereafter be conducted under the firm name of Wintermute, Pauley & Agler, with offices at 1519 Guardian building, Cleveland, Ohio.

Arthur Young & Co. announce the opening of an office at 718-723 Buhl building, Detroit, Michigan, under the management of T. L. Whitford Porte.

The following information is derived from reports sent by members and associates on blanks distributed by the bureau of public affairs:

A. Lester Andrus, Portland, Oregon, has been appointed chairman by the City club of Portland of a committee to investigate public-school teachers' salaries and tenure of office.

Joel Hunter, Atlanta, Georgia, was the author of an article on the advantages and meaning of no-par-value stock which appeared in the *Atlanta Constitution* of November 8th.

W. H. Kerman, Fort Wayne, Indiana, was a speaker at the Cleary Business College commencement banquet, Ypsilanti, Michigan, October 24th, on character as a requirement in entering business. Mr. Kerman donated his services to audit the returns of the Fort Wayne community-chest drive.

Lloyd P. Luckham, Los Angeles, addressed a class of the American Bankers Institute, November 23rd, on the various forms of business organizations from a credit standpoint. From November 9th to 19th Mr. Luckham was captain of the Los Angeles community-chest drive.

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A. J. Lynn of Bowling Green, Kentucky, delivered an address on some fundamentals of business education before the Southern Commercial Teachers Association of Chattanooga, Tennessee, on November 27th.

John T. Madden, member of the American Institute of Accountants, has succeeded to the deanship of the school of commerce, accounts and finance of New York University. His predecessor, Dr. Joseph French Johnson, died last January. Since that time Mr. Madden has been acting dean.

J. H. Nance, Dallas, Texas, spoke on November 11th before the Hillsboro, Texas, chamber of commerce on credits and collections.

William P. Peter of Dallas addressed the Torch club of Dallas, October 20th, on professional men as investors. This speech was reported in full in the *Dallas News* of October 20th.

Paul W. Pettengill, Chicago, is chairman of the planning and zoning commissions for Libertyville, Illinois. Mr. Pettengill is a member of a committee for making plans to build a new community hospital in Libertyville.

Ernest Reckitt has been active in committee work of the city club of Chicago and the Chicago Association of Commerce.

Theodore I. Schneider, New York, is the author of a series of articles on the method of budgeting for stock houses which are appearing in the *Women's Apparel Merchant Magazine*.

F. D. Stackhouse led a round-table discussion by municipal accounting officers of Colorado at the state university at Boulder, Colorado, November 18th, on the subject of local improvements.

E. H. Wagner of St. Louis addressed the St. Louis chapter of the Missouri Society of Certified Public Accountants, at its meeting of November 24th, on the trend of modern accountancy.

C. Oliver Wellington, Boston, spoke on the analysis, distribution and application of burden at the opening meeting of the Canadian Society of Cost Accountants held October 9th at Montreal. Mr. Wellington is a member of the committee on metropolitan and municipal affairs of the Boston chamber of commerce, and is chairman of a sub-committee on municipal finance. He is also a member of the executive committee and chairman of the committee on meetings of the Massachusetts Society of Certified Public Accountants.

Charles E. Wermuth, New Orleans, is the author of a book on railroad accounts and statistics.

William Whitfield of Portland, Oregon is a member of a special commission to report to the next legislature on the feasibility of simplifying city and county administration for Portland and Multnomah County. Mr. Whitfield was chairman of the management-week committee for Portland.

John R. Wildman of New York has been elected a director of the National Association of Cost Accountants, in charge of education.